The Global Newspaper

PARIS, MONDAY, JUNE 22, 1987

# Gingerly, Mitterrand and Kohl Edge Toward a Joint Defense

PARIS - Drawn together by their common fears about European security following the anticipated departure of U.S. medium-range nuclear missiles, President Fran-cois Mitterrand of France and Chancellor Helmut Kohl of West Germany are moving closer on defense cooperation.

Mr. Mitterrand said Saturday that he approved of a proposal The French defense minister, made by Mr. Kohl on Friday night André Giraud, expressed his sup-

to establish an experimental port Sunday for the brigade but French-German army brigade: close military cooperation.

that West Germany is a fully integrated member of the North Atlan-tic Treaty Organization, while France, although a member of the alliance, is outside its military command.

# U.S. Offered Nevada Site For French Nuclear Tests

By Michael Richardson al Herald Tribune

reduce anti-nuclear sentiment among South Pacific countries, the United States secretly offered to let France use nuclear test facilities in Nevada as an alternative to French testing at Mururoa atoll, U.S. and Australian officials have disclosed. France rejected the offer of access to the U.S. test range that

Britain accepted many years ago, the officials said, but the offer remained open.

A U.S. official said Friday that the approach to France had been made discreetly and informally "a

couple of times over the years, most recently about a year ago." "It was more in the nature of a private sounding to let the French

# Kiosk Senna Wins

Detroit Prix DETROIT (Reuters) - Ayr ton Senna of Brazil, driving a Lotus, won the Detroit Formula 1 Grand Prix motor race Sun-

Nelson Piquet of Brazil was second in a Williams, with the feigning world changios, Alain Prost of France, third in a McLaren. Gerhard Berger of Austria finished fourth in a Ferrari, with Nigel Mansell of Britain fifth in a Williams and Eddie Cheever of the United



The Rafale, a twin-engined warplane, has been chosen by France to equip its air force and navy by 1996. Page 2.

**GENERAL NEWS** 

**META** admitted bombing a Barcelona supermarket; 70,000 Page 6. hold a protest. III The U.S. Congress is consid-

ering bills that would deeply affect trade and domestic con-SPORTS

Tom Watson held the lead going into Sunday's final round of the U.S. Open golf tourns-

BUSINESS/FINANCE ■ Ivan Boesky's once-vast financial empire is being disman-

Apartheid activists are pressuring non-American compa-nies in South Africa. Page 15.

## Money's New Capital

Japan has emerged as the world's largest creditor nation and its banks and security houses have become majo players on international capital markets. A Special Financial Report. Pages 7-13.



TOMORROW

The factory of the future, compact disc video and biodegradable plastics — among the high-lights of a new Herald Tribune feature, TechnologyQuarterly, beginning in tomorrow's ediBut he added that there were

The biggest of these is the fact

# know that if they wanted a way out

of the South Pacific we could pro-SINGAPORE - In an effort to vide it," he said. Australian officials said Wash-

> One percent of Soviet nuclear arms could destroy the U.S. economy, study says. Page 2.

had good relations with the United rence t States, including Australia and many. New Zealand, were objecting For example, Helmut Schmidt, strongly to the French testing. The former West German chancel-United States was concerned, the lot, said in Paris a week ago that he officials said, that anti-nuclear and anti-French feelings could develop into an anti-Western mood in the South Pacific.

The U.S. official, who asked not to be identified, is traveling with pean component of NATO.

Secretary of State George P. Shultz A similar idea was put for on a tour of Asian and Pacific

Britain did nuclear testing at Maralinga in Australia and the in Europe Monte Bello Islands off the northwest coast in the 1950s. But in the face of growing objections from Australia and other countries in the region, Britain accepted a U.S. ofer to use the Nevada test range.

In response to questions about a similar offer to France, some officials in Washington earlier this

By Juan De Onis

week from General Pinochet's ef-

cess begun by the armed forces," Admiral Merino said at a news

conference, "would be a civilian, in

We must not be judge and party to

the contest. Whoever runs should

General Pinochet, 70, who is still

on active duty, has publicly invoked the support of the army. A

ceremony at the Infantry School

became a political event last week

when he was presented with a book

containing 100,000 signatures sup-

must remain impartial.

a year later.

Under the constitution approved

in 1980, the four-man military jun-

would there be free, open elections

Internal disaffection with Gen-

eral Pinochet is fed by deteriorat-

of violent methods employed by government security forces, which

national consensus."

"The armed forces," General Worked Matthei said last week, "should not be involved in the electoral process.

fort for a new eight-year term.

nower beyond 1989

i Herald Tribune

Some Loyalists Oppose

Extended Pinochet Rule

SANTIAGO - Resistance is In the first church friction with

Armed forces and conservative public disclosure" on who gave the

political sectors that have been his orders for the killings. In May,

loyal supporters since 1973 have John Paul termed the Chilean gov-joined the center and left parties in ernment "dictatorial" and called

The commanders of the Chilean claimed that some of the victims

Navy and Air Force, Admiral José were unarmed. The government

Toribio Merino and General Fer- said all were members of the Com-

nando Matthei, who form part of munist Party's guerrilla arm that

the four-member military junta, attempted to assassinate General

"The ideal presidential candidate for a continuation of the pro-

his early lifties, who is backed by a Chilean exile leader. Ronni K.

guarantee that the process is Barnes, after the U.S. request was

turned down.

distanced themselves publicly last Pinochet in September.

opposing General Pinochet's politi- for "national reconciliation."

growing in Chile to President Au- the government since the visit by

last week.

ochet's campaign to stay Pope John Paul II in May, the arch-

See NUCLEAR, Page 6

the Paris Air Show.

fighting unit formed by two countries that have fought three wars in common feeling that Europe part of an agreement with the Sovi-Such an accord would leave a

gap on the NATO side between short-range nuclear weapons and the U.S. strategic arsenal.

The disarmament proposals have touched off fears in Western Eular" for NATO.

stopped far short of some recent man cooperation, including a call to extend French nuclear deterrence to the defense of West Ger-

A similar idea was put forward recently by General Gerde Schmückle, a former deputy su-preme commander of allied forces

the opportunity of having the first European generalissimo," he said.

commander would overcome some of the problems caused by France's See FORCE, Page 6

cautioned that the command of such a unit should be "alongside many historical obstacles to such the integrated command structure of NATO, and not subordinate to

The minister spoke after meeting with his West German counterpart, Manfred Wörner, on Saturday at

The prospect of a combined the past 117 years underlined a should make stronger efforts to de-fend itself if U.S. cruise and Per-shing-2 missiles are withdrawn as

rope of a "decoupling" of Ameri-can and European nuclear defenses ington had made the offer because and focused attention on possibilisome countries in the region that ties for a stronger "European pil-Mr. Mitterrand and Mr. Kohl

proposals for closer French-Ger-For example, Helmut Schmidt,

would like to see European conventional forces combined under a French supreme commander, in alliance with the United States and Canada, in order to stress the Euro-

"NATO ought to offer France

Perhaps the time has now come to do it, to show that Europe is responsible for its own defense." In practical terms, a French

Human rights groups have

The United States has voiced

strong displeasure over General Pinochet's refusal last week to hand

gence officers indicted in Washing-

ton for the bombing assassination

there in 1977 of Orlando Letelier, a

Moffitt, an American women who

worked with Letcher, was also

terrorism and we take very serious-

ly that those responsible be tried,"

do so as a civilian and we will said the U.S. ambassador, Harry \$450 million in interest payments

It is uncertain whether economic

sanctions are being considered. An

amendment to the U.S. foreign aid

bill would impose credit and trade

"This was an act of international

WASHINGTON - Saudi Arabia has secretly contributed billions religious stake in most of these of dollars since the early 1970s to movements and governments in a dozen countries to further Western.

was written by Mr. Roberts.

New York Times Service

anti-Marxist interests, often at the

urging of the United States.

Interviews with diplomats, inteligence specialists and lawmakers suggest that Saudi Arabia has regularly helped finance U.S. foreign policy, particularly in areas where the executive branch has been unwilling or unable to gain congressional support for its goals and pro-

Augusto Pinochet

restrictions on Chile, but the Rea-

gan administration earlier rejected

General Pinochet's refusal to al-

low General Manuel Contreras Se-

púlveda and Lieutenant Colonel

Pedro Espinoza to be tried in the

United States was announced

signed a \$10.6 billion agreement in

that refinanced Chile's foreign

The agreement postponed about

The refinancing agreement was essential for General Pinochet's

election strategy of running on a

record of economic recovery and

See CHILE, Page 6

until the end of next year.

such a punitive course.

Secret Saudi Funding Aids U.S. Policy Goals eporting by Steven V. Roberts, Stemoney has assisted pro-Western phen Engelberg and Jeff Gerth and movements or governments in such countries as Afghanistan, North Yemen, Somalia, Sudan, Pakistan, Zaire and Nicaragua. The Saudis have felt some regional, political or

> ican and Saudi interests coincided. Saudi Arabia's secret contributions to the Nicaraguan rebels, estimated at \$32 million, were disclosed as a result of the Iran-contra

countries, and in those cases Amer-

"It takes King Fahd about 10 seconds to sign a check," said Wil- countries. But the Saudis have also liam B. Quandt, a senior fellow at the Brookings Institution and a former Middle East specialist on the military support. The Saudis dem-National Security Council staff onstrated that desire on Friday

WASHINGTON - A State De-

partment official said Sunday that

Nations Security Council are work-

ing on a plan to end the Gulf war.

Council to engage the Russians and

the other permanent members in a

State Michael H. Armacost said on

"That is the first resolution call-

ing for a cease-fire," he said. "The

question now is whether we can

negotiate agreement on mandatory

Mr. Armacost said that the Unit-

other permanent members - Brit-

discussing a peace plan "for several months in New York."

The United States and the Soviet

sanctions.

Wednesday only hours after Chile ed States, the Soviet Union and the

New York with 405 creditor banks ain, France and China - had been

a CBS News television program.

"We're working in the Security

can get somebody else to pay for it. it's nice and convenient. A former diplomat with wide ex-

Rites and Arrests at Stonehenge

A demonstrator being led away from the prehistoric circle of

stones at Stonehenge in England, one of about 40 persons

arrested on Sunday trying to break through police lines during

summer solstice ceremonies. Druids performed the sunrise rites,

left, as about 500 people watched from outside a fence.

perience in the Middle East said: They have been terrific in lots of places. Anytime we needed them to pay for something, we always turned to the Saudis. We viewed them as this great milk cow."

In most cases, the contributions have furthered Saudi national interests by opposing communism and promoting stability in Moslem been motivated by a deep desire to cultivate American friendship and

U.S. Aide Reports East-West Effort

In the UN to Devise Gulf Peace Plan

not include naval protection ar-

which could end with Iran prevail-

ing, with the stimulus that gives to

cooperative.

"It takes Congress weeks to debate lance planes based on their territothe smallest issue of this sort. If you ry to expand patrols over the Gulf and help protect ships flying the American flag.

American and Saudi interests do not always coincide, however. The Saudis have long opposed Israel and used their considerable wealth to finance Israel's enemies, including Syria and the Palestine Liberation Organization.

Some joint Saudi-American operations have been publicized before, usually in sketchy form. But the full scope of the effort has remained largely hidden, even to American diplomats and lawmakers who deal with Saudi affairs.

See SAUDL, Page 6

Mr. Armacost reiterated that

Iraq has broken a monthlong juli

# Seoul **Considers** Reforms

U.S. Sending Aide to Press For Elections

By Lena Sun

Washington Post Service SEOUL — South Korea's governing party met Sunday to consider what concessions it could offer the opposition to defuse political tensions that have fueled 11 days of street protests.

A parliamentary caucus of the Democratic Justice Party outlined a package of what it described as democratization reforms that were to be presented Monday to President Chun Doo Hwan, the state

[A U.S. assistant secretary of state being sent to Secul said that the United States would press the government to hold open elections and resume negotiations with opposition leaders.]

No details of the parliamentary caucus negotiations were provided, but party sources quoted in South Korean newspapers said the mea-sures would include a lenient policy for those demonstrators arrested in the anti-government rallies that began June 10, and the release of an opposition leader. Kim Dae Jung, from a two-month house arrest.

The discussions Sunday were presided over by the Democratic Justice Party chairman, Roh Tae Woo, who has met with the heads of two minor opposition parties, but has been unsuccessful in meeting with Kim Young Sam, the leader of the main opposition party, the Reunification Democratic Party. The opposition party has set conditions for talks. The streets of the capital, mean-

while, were relatively quiet Sunday. The narrow alleys in many parts of battleground of intense clashes between student demonstrators and police were filled with shoppers, enjoying the sunny weather and the reduced presence of police. Street vendors who have lost

business because of the clashes were out in force throughout the city, selling everything from cotton candy to costume jewelry.

But there were reports from the provinces of violent demonstrations continuing in Pusan, Kwangju and Taegu.

In the southern port of Pusan, the country's second-largest city, rangements in the Gulf.

U.S. interests in the Gulf remain where there have been large antiMr. Armacost said U.S. officials the same, with the White House government rallies, several thouthe United States, the Soviet Union working on the plan had found the hoping to limit the Soviet Union's and students burned a police post and other members of the United Soviet Union to be "surprisingly role there." (about five kilometers) before th police confronted them with vol-

leys of tear gas, witnesses said. Reuters reported that at least 800 protesters in Pusan were arrested

In one disturbance in Seoul on

#### threat it poses to their own Moslem ing that its jets struck a large naval call for a cease-fire and return to population in Central Asia," he target, the usual reference for a boundaries, exchange of prisoners. See GULF, Page 6 See KOREA, Page 6 other arrangements backed by mandatory sanctions, and we've found, to our surprise, that has elicited the support of all the perma-Soviet Tests Multicandidate Ballots nent members," Undersecretary of

They don't wish to see a war I Iraqi Jets Hit Ship

Islamic fundamentalism and the in the Gulf shipping war, announc-

By Celestine Bohlen

held its first experiment with multicandidate balloting on Sunday in scattered districts during local elections that also tested other themes of Mikhail S. Gorbachev's campaign for "democratization."

Union have been involved in the Although voters in only 5 pereffort because "we share at least temporarily an interest in the re- cent of election districts across the was offered in Moscow, and the gion, an interest in preventing an country were given a choice at the only one in the Moscow region lies Iranian victory in the Gulf war." He emphasized that the talks did took place under conditions that dates are running for seats on

ballot box, the elections of local councils and district court judges break with past practices.

In Local Council, Judicial Elections

practice already in place in several East European countries. The experiment, announced in April as a consequence of political reforms pressed by Mr. Gorbachev, took place in 76 districts around

the country. No multicandidate list in an area closed to foreigners. More than two million candi-

the official press hailed as a major about 50,000 district, city and rural councils, which handle day-to-day The most significant experiment local business such as housing, MOSCOW — The Soviet Union involved multicandidate lists, a public transport and medical care. In the experimental areas, election districts were consolidated, and voters were able to choose from a number of candidates that

> But even the losers will have a role. the vote will be allowed to participate in local councils but not vote. At voting district 5 in Moscow's Krasnopresenski region, where Mr. . Gorbachev and his wife, Raisa, voted, Tamara Zuikova, the election committee chairwoman, said that changes in procedures had made

exceeded the number of positions.

the candidates more accountable. Only one name for each office was on the ballots given to the 1,850 voters in the district, but during the nominating stage, two or three names were presented to the "work collectives" charged with choosing the candidates, she said.

"Before, it was always one," she said. "As a result, this time, we are seeing new people, and younger people.

According to official predictions, the election will result in an 80 percent turnover on the 800member Mossoviet, or city council. Sixty percent of the city's 9,970 deputies on regional councils will be changed, according to Miss Zui-

In Moscow, city officials have pushed candidates to meet with voters, not only in big meeting halls, but in courtyards, and to organize "meet-the-candidate" gath-

"Now the voter is able to take the home, show him poor facilities for children, repair problems, whatever." Miss Zuikova said. "Then later, he can say, 'You saw this with your own eyes. What is your plat-

She said "it is not always easy to See VOTE, Page 6

# CONTRIBINING 100,000 Signatures Supporting his staying in power be- Belgian Village Turns a Page to Economic Rebirth your 1989.

Mr. Armacost said.



International Herald Tribune REDU, Belgium - Like other farming communities in Western Europe, this quaint village in the heart of the Ardennes has a stone church, a modest city hall and a small school. But Redu, population 450, is a bit different. It also has 26 bookstores and a booming local

economy.

Until recently, Redu faced the same kind of economic collapse that has threatened farm towns in other European countries. But rather than wither away. Redu bet its future on becoming a center for buying and selling used books. The gamble has paid off, and Redu has found a way to avoid extinction.

Beginning in 1984, some residents opened bookstores of their own, and farmers rented abandoned stables to book entrepreneurs, who renovated the wood structures and set up shop. Even part of the town's school building was rented out and turned into

"This has created jobs and it has allowed houses to be renovated."

bookstores.

says Etienne Alexandre, a buriy

store specializing in wilderness books. "The village is living again." Last year, an estimated 120,000

people came to buy or sell books in Redu. where each store has a speciality. For example, one shop stocks art books, another offers books on history, and still another focuses on astronomy. Most of the books are in French, though English, German and Dutch are well represented. Although a large number of tour-

ists visit Redu, many of the stores do business with professional and amateur collectors and U.S. universities. Buyers from Japan have even shown up to poke around, according to Noel Anselot, who helped organize Redu's transformation.
"It succeeded because it was a

retired businessman and amateur book collector. "Nobody would have ever thought a tiny village in the Ardennes could do this. This candidate by the arm and take him village was dead five years ago. There was only one store, and it was ready to close."

The genesis of Redu's turnaround can be traced to the Welsh

town of Hay, on the River Wye, which itself staved off economic See BOOKS. Page 6

# **Moscow Could Destroy** U.S. Economy With 1% Of N-Arms, Study Says

By William J. Broad New York Times Service

NEW YORK - In a challenge to the U.S. government's position on the long-term effects of nuclear war, a study concludes that a limited attack on the United States, involving only I percent of the Soviet strategic nuclear arsenal, could set off a collapse of the U.S. economy that would last decades.

U.S. officials say that the study is flawed and that recovery from even large attacks could take place in years, not decades.

The study, by the Massachusetts Institute of Technology, said an attack aimed only at liquid fuels and their distribution points could cripple transportation, energy production and primary industries, damaging the U.S. economy so thoroughly that most of the population would starve in months.

existence" for decades. The study added, however, that

The survivors, it said, would be

the Soviet Union is even more vul-

The study was based on four years of computer simulations of nuclear attacks and their cousequences. The computer instructions used were a modification of a model originally developed for the Federal Emergency Management Agency, which plans relief mea-sures for war and natural disasters.

The prevailing government view is based more on experts' analysis than on computer models. Kosta Tsipis, senior author of

the study and director of MIT's Program in Science and Technology for International Security.

#### Earthquake Shakes Rhodes

ATHENS - An earthquake measuring 5.2 on the Richter scale shook the Greek island of Rhodes on Saturday night. The police said there were no injuries or damage.



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the economy recovers. But this program shows it will not recover even 25 to 30 years after an attack."

Officials with the federal agency faulted the MIT study. Paul K. Krueger, the agency's assistant as-sociate director for mobilization resources, said that he had not seen the study but that the underlying set of computer instructions, supplied to the agency in 1980 by a doned in 1984 after "a lot of criticism from other government de-

Mr. Tsipis said the computer model had been tested extensively for accuracy at MIT. He said the model because its results conflicted with the government's public positions. Mr. Krueger vigorously denied this.

The 136-page study reached these conclusions:

• The economy would be unable to "shake off" the effects of an attack on petroleum supplies. At best the nation could regain about a third of its productivity over a

• The Soviet Union would be no better off than the United States and could be more vulnerable to long-lasting effects from a nuclear attack because its petroleum industry is more concentrated.

The superpowers could achieve the goal of deterring at-tacks with drastically fewer nuclear

President Ronald Reagan's plan for a defense against enemy missiles might not protect the nation from lasting economic collapse even if the defense prevented 99 percent of incoming warheads from eaching their targets.



Habré at a news conference after talks with President Royald Reason

forces in March by Mr. Habre's fighters was at the top of the

agenda of White House talks Fri-

# Habré Warns of Further Threats

WASHINGTON - Presi-

dent Ronald Reagan has hailed Chad's defeat of what he called "outlaw" Libyan forces, but he and President Hissène Habré have warned that Chad still faces Libya's intervention in north-

ern Chad and the defeat of its

day, as the Chadian president began a five-day official visit to Washington. After their talks, Mr. Reagan pledged to continue "an appropriate level of security assis-

Chad and neighboring countries must remain vigilant against new threats," he said, "but Chad now knows it can count on its friends.

Mr. Habré said Chad "must pursue its fight in order to put to an end once and for all encros ments upon our freedom and in

# In Australia, Hawke Mutes Nuclear Issue

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By Keith B. Richburg Washington Past Service SYDNEY - Three years ago,

when Australia held its last national elections, U.S. security interests in this part of the world seemed increasingly under siege by a highly visible anti-nuclear movement. Today, Australia once again is in

the midst of a national election, but the worst fears of U.S. officials have yet to be realized.

Under the leadership of Prime

Minister Bob Hawke, a blunt, former union leader with a mastery for maintaining the political middle

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policy platform.

"There's no doubt there's been a swing to the right," said Peter Jones, a research aide to the Nuclear Disarmament Party's only elected member of Parliament.

After its peak during the 1984 campaign, he said, the anti-nuclear lobby "hasn't had any impact on the Australian public."

This year, the anti-nuclear issue has raised barely a whisper. The ground, Australia's Labor govern- which drew about 500,000 primary defense treaty.

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ment has proven itself more inter-ested in staying in power than in promoting a more idealistic foreign votes three years ago among an electorate of nine million, no longer exists,

Screttery of State George P.
Shultz and Defense Secretary Ca-spar W. Weinberger are in Austra-The anti-nuclear policies of the lia for an annual series of meetings

> try's relations with the United begin Monday. In August 1986, after Prime Minister David Lange of New Zesland pressed ahead with his party's

promise to prohibit port calls by auclear-armed and nuclearpowered ships, the United States ground. suspended its military obligations Nuclear Disarmament Party, to New Zealand under the ANZUS now recognize that Australians

spar W. Weinberger are in Austra-Labor government in New Zealand on defense and foreign policy iscaused a deterioration of that coun-

cordial because relations between the conservative Republican ad-ministration in Washington and the Labor government in Canberra have remained on firm and friendly

overwhelmingly support the security relationship with the United States. According to a poll by the Morgan Research Center, 75 percent of Australians favored maintaining the defense alliance with

movement in Australia is due largely to the deft political maneuvering of Mr. Hawke, who has managed to defuse the issue. Through some Hans Arnold Engelhard has decidereful backpedaling on his party's ed to oppose extraditing to the positions, Mr. Hawke has kept his bijustions of a Tome West Airlings. American allies happy and his and nuclear credentials intact. He has held steadfastly to his paper said Sonday.

Welt am Sonntag said that Mr. position against Australia ever ac-

He is the most outspoken critic in iring its own nuclear weapons. the region of French nuclear testing in the Pacific. And he has led the charge for declaring the South Pacific a nuclear-free zone. When the Reagan administration offended Australia twice in 1986 with decisions to subsidize U.S. wheat sales to the Soviet

Union and to sell surplus sugar to China, Mr. Hawke protested vigor-ously. But he resisted calls from some farmers' groups, who wanted to link American trade practices to the continued presence of U.S. mil-As a result of pulling his party to the right, both on foreign policy and economic issues, Mr. Hawke

has angered and alienated Labor's once-dominant — but now insig-nificant — left wing. But political analysts here say 2 Flee From East Germany

that Mr. Hawke largely has coopted the conservative opposition, positioning himself to become the first Labor prime minister to win a the Berlin Wall to West Berlin, pothird consecutive term. The elec-lice said. The youths scaled the wall tions are scheduled for July 11. and crossed a prohibited zone-

year-old record set by Howard Hughes, the U.S. billionaire who died in 1976, for a round-the-world flight in a propeller-driven sixcraft, Renters reported from Paris. The Spirit of J and 2, piloted by The meetings are likely to be

three Frenchmen and a Canadia landed at the Paris Air Show after circling the Earth in 88 hours and 48 minutes. In 1938, Hinghes established a record of 91 hours. 17 min-Anti-nuclear activists say they utes and 10 seconds.

# **Bonn Minister** Is Said to Oppose The decline of the anti-nuclear Extradition Plan

Chirac Says

France Will

**Build Own** 

Warplane

By Edward Cody.

PARIS - Prime Minister Jac-

ques Chirac has declated that

France will develop and produce its

own advanced warplane, the Ra-

tale, to equip its air force and navy

urday at the Paris Air Show ap-

peared to lay to rest doubts in the Defense Ministry about the \$30-

billion Rafale project, a delta-

integrate European defease pro-

Britain, West Germany, Italy

replace the Etendard, Super-Eten-

dard, Crusader, Jaguar and, later,

the Mirage into the next century.
France's navy, however, has insisted that its Crusader fighters

must be replaced by 1993 because

of their age and extra stress from

ings. The date is three years ahead of the Rafale's schedule for enter-

Hughes Record Falls

A four-member team flying a Lockheed 18 Sunday broke a 49-

company.

The French decision m

Mr. Chirac's announcement Sat-

by 1996.

ington Post Service

HAMBURG - Justice Minister flight to Beirut, a Hamburg news-

Engelhard did not favor the extra-dition of Mohammed Ali Hamadeh, a Lebanese who was arrested Jan. 13 at the Frankfurt airport. The newspaper gave no sources for its report.

Mr. Hamadeh is wanted in the United States on charges of murder and air piracy in connection with the hijacking and the murder of a passenger, Robert Stethern, a U.S. Navy diver. West German officials have been

hesitant to approve the extradition out of concern for the lives of two West Germans being held hostage in Beirut. Their captors have demanded Mr. Hamadeh's freedom. Mr. Engelhard's opinion is expected to be influential as the cabi-

net decides the matter Wednesday.

# winged multipurpose plane con-ceived by France's ailing Avions Marcel Dassault-Bregnet Aviation WASHINGTON (AP) — President Reagan has vetoed legislation to make permanent the "Fairness Doctrine," the federal policy established in 1949 that requires broadcasting stations to present opposing views on

Pindling Wins 6th Term in Bahamas.

NASSAU, Bahamas (Reuters) — Prime Minister Lynden O. Pindling.

has won a sixth term in the first general election here since a drug scandal

showed the party had captured 29 seats of the 49 seats in the House of Assembly, giving Mr. Pindling another five-year term. The opposition Free National Movement, which had confronted Mr. Pindling's party with its toughest challenge in two decades, took 13 seats. Five seats remained undecaded.

Deputy Prime Minister Clement Maynard declared victory for the

Progressive Liberal Party, saying the voters had soundly repudiated opposition charges of corruption by the governing party. A commission of inquiry reported in 1984 that drug money had tainted Bahamian

society, finding its way into the pockets of Mr. Pinding's cabinet ministers and close associates, although the panel exonerated Mr. Pin-

Reagan Vetoes Curbs on Broadcasters

The state-run Radio Behamas said the results of Friday's voting

In doing so, Mr. Reagan sided with the Federal Communications. Commission, which contended that the doctrine was constitutionally U.S. allies in Europe will be developing two competing warplanes in an era when defense experts insuspect, and radio and television broadcasters who complained infringed on their First Amendment rights and editorial freedom. creasingly have niged pooled aircraft research and production to reduce cost and when political

The doctrine was established by the Federal Communications Commission, but the commission has been studying the possibility of scrapping it, and a U.S. appeals court ruled in 1986 that it was not a law and could be repealed by the FCC. leaders have called for new steps to

## Soviet Hints at Releasing Pilot Soon

and Spain have agreed to jointly develop an advanced fighter. In a bow to European unity, BONN (AP) - Mathias Rust however, Mr. Chirac arged cooper-ation in joint development of eleccould be released from a Soviet prison by early July, but first he tronic components for both of the needs to be clearer about why he flew a small plane from Heisinki to Moscow's Red Square on May 28, a Soviet official told Radio Luxemairplanes.

Defense Minister André Giraud.
said France's needs for the Rafale would reach at least 330 aircraft to

hit his Progressive Liberal Party.

bourg on Sanday. Valentin Falin, head of the Novosti news agency, said he could not rule out the possibility that Mr. Rust, 19, will be allowed to remen to his home in West Germany by July 6, when the West German ent, Richard von Weizsäcker, vierts Moscow.

sirereft-carrier takeoffs and land-Mr. Falin said that Mr. Rust "makes various statements, unformately, and that doesn't make the Some Defense Ministry officials have suggested buying U.S. F-18 sincraft for the navy until a naval version of the Rafale can be pro-



**Mathies Rust** 

situation my easier." He continued: "I would like to hope that his return will be possible. It doesn't just depend on the Soviet side but above all on Rust himself and several accompanying circumstances."

#### Panama Extends State of Emergency PANAMA CITY (Renters) - Panama's National Assembly has ap-

proved a presidential decree ordering an indefinite extension of the ationwide state of emergency.

The decree issued Saturday claimed that the extension was a

a consequence of systematic calls to sedition and civil disobedience Anti-government protesters called last week for the removal of General Manuel Antonio Noriega, Panama's military chief and de facto ruler.

## Shultz Assails Remarks by Rogers

SYDNEY (WP) - The U.S. secretary of state, George P. Shultz, has labeled as "entirely incorrect" and "ridiculous" the recent statements by General Bernard W. Rogers, the outgoing military commander of NATO. that criticized the Reagan administration as rushing toward an arms control agreement with the Soviet Union.

Mr. Shultz was reacting Sunday to comments published in The Washington Post in which General Rogers accused the administration of pressuring Western Europe to put aside its reservations about an accord

Speaking with reporters en route from Singapore, Mr. Shultz called the NATO military commander "a general with a lot of experience" whose adverse views might affect congressional reaction to any eventual arms accord on the removal of U.S. and Soviet medium-range missiles from Europe. The general, Mr. Shultz said, was "way out of line" in making the Hans Arnold Engelhard has decid-remarks. The general's NATO command ends Friday.

# TRAVEL UPDATE

Thousands of West German motorists returning from holidays in Italy were delayed over the weekend by road work leading to the Brenner pass

route into Austria. Two 747 lets were heavily damaged in a collision on the tarmac of Vienna's Schwechat airport on Sunday. The airport's tarmac is under

Trans-Affactic flights across British were back to normal on Sunday after the four-hour breakdown of an air traffic control computer on the western Scottish coast on Saturday, About 50 flights from Amsterdam, Brussels, Paris and London were affected.

The temporary loss of radar on Friday in an area from New England to the Great Lakes posed no hazard for air-travelers in the United States, a Federal Aviation Administration spokesman said. Air traffic controllers operated without radar for six minutes due to a computer outage. (UPI)

## This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries this week because of national and religious

MONDAY: Colombia, Venezuela, South Yemen. TUESDAY: Luciezabourg, Norway. WEDNESDAY: Andorra, Macao, Peru, Ve

AELL, I'M ABOUT

TO START COUNSEL

RISE ARE TOSTARTOUNSE YOU UPTO LING AT A LOCAL

THESE DAYS, CORRECTIONAL

THURSDAY: Madagascar, Mozambique.

FRIDAY: Madagascar, Somalia SATURDAY: Djibouti. SUNDAY: Diibouti.

DOONESBURY

SOMHAT

Source: Margan Gueranty Trian Co, Res

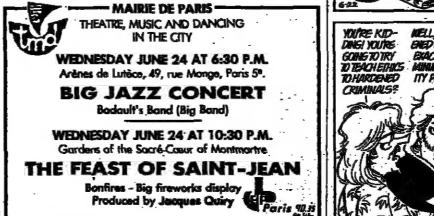
IT'S SORT OF AN ETHICAL REHA-BILITATION PROGRAM, TO GET INMATES TO EXAMINE THE MORAL MALICATIONS OF THEIR ACTIONS.

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# LES GLADIATEURS

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By Clyde H. Famsworth

New York Times Service

**NEWS ANALYSIS** 

a trade bill this week in what many

Although they use different for-

mulas, the two pieces of legislation share an underlying philosophy: that enormous U.S. trade deficits

result at least partly from unfair

that these barriers must be elimi-

nated and that if they are not, auto-

matic mechanisms should be in

ments to the United States.

dential veto.

ferring to call for "fair trade."

jobs and the cost of living.

# North Faces Deadline to Give Papers To Congress

By Walter Pincus and Dan Morgan Washington Post Service
WASHINGTON — Congress

nal investigators have ordered Lieutenant Colonel Oliver L. North to deliver documents, inchiding personal notebooks, relat-ing to his activities in the Irancontra operations by Tuesday morning or face a possible criminal charge of contempt of Congress, sources have said.

", @), gi

• • •

The subpoems represented a new step in a sharpening legal skirmish that will determine whether Colonel North ever testifies in public before the House and Senate select committees looking into the Irancontra affair

The dismissed National Security Council aide is a central figure in the affair. The latest subpoena was said to have been delivered Thursday to Colonel North's attorney, Brendan V. Sullivan Jr.

The skirmishing began Wednes-day when Mr. Sullivan informed committee lawyers that Colone North, a marine, would not comply with an initial subpoena to report for preliminary questioning in prifor preliminary questioning in private the next day or provide requested documents. Mr. Sullivan that Colonel North is required to Immunity gives no legal protection cited concerns over legal "due pro-

. At a meeting Thursday night and is less broad than the earlier with Mr. Sullivan, the chief countrequest. sels for the Senate and House panels, Arthur L. Liman and John W. Niclds Jr., offered a compromise ral notebooks that Colonel North's aimed at meeting some of Mr. Sulivan's concerns, but they failed to find last week that she saw in Mr. resolve their differences, sources Sulfivan's office on Nov. 28.

+ On Friday, the Senate select his daily activities in similar notecommittee heard Mr. Liman's re- books. port and ruled out further compro-

The two committees earlier had voted to compel Coloniel North's

On Wednesday, however, Mr. of his client's appearing, even un-Sullivan argued that the initial sub- der a grant of immunity, outwe

U.S. Business Schools

Pull More Foreigners

Japanese middle minagen

along with a growing number of other foreign students, are flocking to graduate beamets schools in the United States "in-

pursuit of the ultimate Ameri-

can business credential, an

MBA," or master of business

administration degree, The

their presence here," notes The

Post, "because America's cor-

porate management techniques are hardly the cavy of the in-

dustrialized world. But Ameri-

provides membership in the ex-

ciusive MBA club and a way to

gain quick insight into Ameri-

can culture, consumer psychol-ogy and buying habits." Charles 'Hickman of the

American Assembly of Colle-giate Schools of Business said foreigners "often don't come for what is taught in class but to

make the connections and to

At the University of Virginia, graduate business applicants numbered 419 from 25 coun-

tries this year, compared with 98 two years ago. The story is similar at Harvard, Dartmouth,

Tolane and the University of

Takashi Shigemori of Sumi-tomo, Japan, is typical. He is 28, and his company is paying him not only \$50,000 to meet

the costs of completing the MBA program at the Universi-ty of Virginia but his salary as

The colleges welcome foreign students. "We want them for

the sake of our American students," said Leslie Grayson of the University of Virginia. "It may be the only chance a nice

Protestant preppy can find out what makes a guy like Shige-

A New York City official re-

A New York City diness re-sponsible for exposing tax cheats was dismissed after pleading guilty to failing to file his state and city income tax returns for 1984 and 1985. The official, Leroy Frazer Jr., 32,

lost his \$54,000-a-year job as assistant finance commissioner in charge of enforcement and faces a maximum one-year prison sentence and \$5,000 fine.

on senience and 50,000 fine. His lawyer, however, said that federal, state and city taxes had regularly been withheld from Mr. Frazer's psychecks and that he might have been owed that he might have been owed

Shorter Takes: About 20 per-

cent of doctors abuse drugs or

refunds from both years.

Short Takes

learn the colture."

There is no small irony in

Washington Post reports.

AMERICAN TOPICS



Oliver North leaving home, followed by a family dog.

his client to risks not covered by the

answer. Thesday called only for for a witness found to have lied "relevant" materials, a source said, under oath.

The two committee staffs are particularly eager to obtain 10 spi-ral notebooks that Colonel North's

She said Colonel North wrote up

Some committee lawyers say Mr. Sullivan has no intention of allowing Colonel North to testify and that his actions are more than detestimony under a grant of limited laying tactics. They said Mr. Sulli-immunity from prosecution. I laying tactics. They said Mr. Sulli-wan may have decided that the risks poena for documents was too the had publicity and penalties if broad and that the committees informal, closed depositions exposed sempt of Congress.

disease, compared with 79 per-

Restaurateurs in Beverly

Hills, California, are getting around a ban on smoking in their establishments that took

effect two months ago by rede-

fining large sections as ber ar-eas. The law prohibits amoking

in all restaurants except those in hotels. It also exempts bars

that serve food. Some restan-

rants now allow smoking in all

sections because the bar is in

the middle of the dining room.

"We don't know quite what to do about it," said Mayor Benja-

min Stansbury Jr. "My attitude

city attorney is looking into

wery little in the year since its proceedings began being televised, The Washington Post reports. The finding confounds predictions that TV coverage would lead to grandstanding, or that it would make the Senate

more orderly and efficient. Quorum calls — a drawn-out

substantial change. The time spent on making speeches has been relatively constant. The Senate on television "has nei-

ther conned nor dazzled the

American people," said Robert C. Byrd, Democrat of West Vir-

form of taking attendance have been cut by more than half, but that is about the only

ne of dismay." He said the

One risk of testifying is perjury, anxiety and increasing resentment.
"Is Congress leveling the playing field or bringing down the stadium

The two committees have set an early August deadline for finishing public hearings. One prominent Washington criminal lawyer sug-gested that Mr. Sulfivan may want to delay Colonel North's appear ance long enough so that any crimi-ral indictment obtained by the independent counsel, Lawrence E. Walsh, would have already been

Once indicted, this lawyer said, Colonel North would have a strong argument that public testimony would get so much publicity that no jury could be found that could give him a fair trial.

Mr. Walsh has said he sees no reason to seek indictments before the committees end their hearings

# Angola Is Likely To Free U.S. Pilot **Held for Spying**

Washington Past Service WASHINGTON - Angola is expected to release a captured American pilot in the next few days in an effort to help establish diplomatic relations with the United States, according to the Reverend

Jesse L. Jackson and congressional The pilot, Joseph Longo of Greensburg, Pennsylvania, was American Medical Association, the shot down April 21 in a light air-largest and most powerful medical

cy said at the time.
The U.S. State Department said that Mr. Longo was ferrying a to appoint an advisory body on plane owned by an American company to South Africa and denied

Mr. Jackson and several members of Congress had urged a high-level Angolan delegation visiting the United States to release Mr.

In Attack on Toy

Turkey Reports Longo as a goodwill gesture.

# 48 Soldiers Killed

an attack on a government barracks in northern Angola on Thursday, Agence France-Presse reported from Lisbon.

uren, in their bloodiest attack in a
three-year gnerrilla war for autonomy, the Anatolian News Agency
reported Sunday.

The attack

New Army Chief for Maputo

United Press International Hanna Thai has been named head megaphones to order people to a of the Mogambican armed forces by President Joaquim Chissano as area with automatic weapon fire part of a major military reshuffle in and attacked three homes where Maputo, the Portuguese news agency Luss reported Sunday.

Act of 1930, which helped trigger WASHINGTON — The U.S. the Depression, he said, "Enact-Congress is considering legislation ment of some of the current prothat would deeply affect both the posals would unleash an unpredictfuture course of trade policy and two basic economic facts of life: able and uncontrollable chain of events. Sir Roy Denman, head of the

Washington delegation of the Commission of the European Comnumity, observed, "Unfair trade practices generally turn out to be what the other fellow does — never consider the most protectionist cli-mate since the 1930s, although few what one does oneself."

For two consecutive years, the in Congress breathe the word, precommunity has published lists of what it considers to be unfair trade Both that bill and the one the barriers on the U.S. side. Its latest House passed in April are aimed at report, in April, cited more than 30 opening foreign markets to more chemicals, food, computers and other goods made in the United States. But some provisions in both would also close U.S. markets to Only last week a panel of the

General Agreement on Tariffs and as the main trade measure. Trade, which governs most world In any case, scores of trade, reinforced the commission's assessment of a U.S. tax on petrolemm that goes to the "Superfund" toxic waste cleanup program. The Superfund tax is higher for import-ed than for domestic oil. The panel found the tax to be a violation of the GATT free trade charter and

place to block the countries' ship-That last idea, if enacted, is alcost of living in conflicting ways.

Opinion polls show that when retaliation. most certain to touch off a presi-Other countries are expressing

people think their economic security is threatened by imports, they "Is Congress leveling the playing react in a protectionist fashion. On "consistent pattern of barriers and field or bringing down the stadium the other hand, when they are remarket-distorting practices." The Donald W. Riegle Jr., a Michigan month. "There is a chance of pick-roof?" asked Allan E. Gotlieb, the minded that protectionism means bill requires the administration to Democrat, would require the adding the best of both and putting dentify countries that practice ministration to estimate how much them together."

Nine Senate committees have tiations or retaliation. Japan is spa- ers. put together a mammoth piece of cifically named as a target of this legislation with hundreds of provi- provision.

U.S. Trade Bills: None Dare Say 'Protectionism'

sions, although the Reagan admin-

istration - which last week issued Senate bill would virtually elimi- each of three years, the United a 30-page list of "objectionable" nate a president's ability to consid- States would impose import restricprovisions - wants the Senate to er national economic or foreign- tions.

When people think economic security is threatened, they react in a protectionist fashion. Reminded that protectionism means higher prices and limits on choice, they come down more for free trade.

consider just one of the bills, produced by the Finance Committee,

In any case, scores of amendments are expected to be introduced on the Senate floor. The more hotly debated provisions in-

 Unfair trade. The administration would identify foreign trade barriers that are "unjustifiable," "unreasonable" or "discrimina-Most analysts say the public's ed States would retaliate. Denial of worker rights' or adortion of trade issues is confused and ambivalent. The confused and ambivalent of trade issues is confused and ambivalent. fused and ambivalent. That is be-port targeting," a government plan cause trade cuts across jobs and the of coordinated action to benefit ex-

> Adversarial trade. A new concept in trade law, it is defined as a

policy interests when an industry is petitioning for protection against

an inundation of imports. Under present law, the U.S. International Trade Commission, a federal fact-finding agency, makes a recommendation that the president can accept, modify or reject. Under the Senate bill, the commiscome mandatory.

would be required to retaliate ence. against trading partners that have

amounts every year. such a way as to The House has already passed able legislation. such an amendment, proposed by a

Democratic presidential aspirant,

Senate bill, the House bill is much Representative Richard A. Gep-more acceptable to us," and vice hardt of Missouri. The Senate ver- versa, he said at a U.S. Chamber of

the foreign retaliation against the choice of consumer goods, they protectionist Smoot-Hawley Tariff come down more for free trade. Such trade and sets forth proce- of a country's surplus with the dures to eliminate it through nego- United States reflects trade barri-

If the country failed to increase its imports from the United States · Presidential discretion. The by one-third of that amount for

> Dumping. Laws already on the books establish mechanisms for imposing import duties to offset the advantage gained by foreign countries that subsidize exports or that sell products in the United States at less than fair value. Both the House and Senate bills would make it easier for companies to invoke these laws and get higher protective duties.

> The Reagan administration has taken strong exception to the Sen-ate bill, as it did to that of the House. In either form, the legisla-

tion would doubtless be vetoed. But some analysts say they be lieve that the legislation could end up being only mildly protectionist. That is what occurred with the sion's recommendation would be- Trade Act of 1984. Both chambers approved protectionist provisions · Surpluses. The United States that were neutralized in confer-

Clayton K. Yeutter, the U.S. large trade surpluses unless the sur- trade representative, said it was pluses are reduced by fixed possible to combine the two bills in such a way as to produce accept-

"Where we are troubled by the

# AMA Committee Rejects U.S. Call

Washington Past Service
WASHINGTON - In its first attempt to influence public policy on containing the AIDS epidemic, the American Medical Association has issued a report rejecting wide use of mandatory testing and calling for tough new laws to protect

The report, written by the medical group's board of trustees and gates will vote on this week.

It noted that the epidemic "is that long."

billion to fight AIDS in 1988 "will not be enough." It endorsed legislation introduced by Representative Henry A. Waxman, Democrat of California, to increase resources for

ANKARA — Kurdish rebels The National Union for the To-tal Independence of Angola claimed to have killed 48 soldiers in there-year guernila war for autono-

> eastern Turkish village of Pinarcik, near Mardin close to the Syrian

United Press International moved into the village about 10

LISBON — General Antonio P.M. Saturday night and used central square. They then raked the area with automatic weapon fire some villagers had taken refuge, the

the civil liberties of those who test

now more than six years old and the growing magnitude of the problem has been apparent for nearly

The board said that plans by the Reagan administration to spend \$1

voluntary testing and counseling. The strong position taken by the American Medical Association, the

While the administration plans

# that Mr. Longo had ever been a Insurgents Kill 31 In Attack on Town,

# For Broad Mandatory AIDS Testing

positive for the AIDS virus.

issued Saturday, urges that a national policy on confronting the disease, acquired immune deficiency syndrome, be devised immedi-

craft over southern Angola. He was suspected of spying for South Africa, the official Angolan news agency said at the time.

angust and most powerin including spour in the United States, implicating the United States,

## While the American Medical As-AIDS, the medical organization By Michael Specter wants to establish a commission

with strong powers to develop a national policy and help implement

"If there is any real criticism of our system, it is simply that we have not devoted the necessary resources to fight this disease," said Dr. Lonnie Bristow, a board member who helped draft the policy, which the group's House of Dele-

A White House spokesman, Dan Howard, said administration officials had not yet seen the report, and he declined to comment. Earlier this month, in his first

major speech on AIDS, President Ronald Reagan called on the states to institute routine AIDS testing for marriage license applicants, jail inmates and those seeking treatment for drug abuse or sexually

sociation trustees recommended mandatory AIDS testing of prisoners, immigrants and the military, as well as for blood and organ donors, they stopped short of adopting other administration goals.

Although the trustees emph sized that "mandatory national testing, at present should not be broadly extended," they called for routine voluntary testing at clinics for treatment of drug abuse and sexually transmitted diseases.

Such testing, they added, should be performed only with the informed consent of the subject, who would have the right to refuse.

The report also seeks a much wider education program, for both the public and health-care professionals. It urges that more money be spent on counseling for those who test positive and on training



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# **Notes About People**

ginia, the majority leader.



Rudolph W. Ginliani

pect much of taxi drivers. So Rudolph W. Giuliani, U.S. at-torney for the Southern District of New York, was flabbergast-ed after he arrived at Washing-ton National Airport to deliver a speech and tore his trousers on a protruding wire while get-ting into a taxi. The driver took him to a tailor, waited with him while repairs were made and then, masked, offered to pay the hill. Trn going to take him back to New York with me and

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eent of doctors above using of alcohol, according to the Amer-ican Medical Association. This compares with 19 percent of the general population. • Public awareness of alcoholism has inawareness of archanant has in-creased since 1982, according to a Gallup Poll. It found that 87 percent of those surveyed this year agreed that alcoholism is a

ask the mayor to make him cab driver of the year," Mr. Giuliani

# Herald Tribune.

# What Next in the Gulf?

What should the United States do next in the Gulf? U.S. warships have been there for tankers, after Moscow had permitted Kuwait What now provokes intense concern in

Congress and the public is a more precise question: Should the United States go beyond this traditional role by putting American flags on 11 Kuwaiti tankers and defend them against Iranian attacks? The president, quick to describe the ships as American, says yes, of course. Members of Congress say, not so fast; show us.

They are right, for the reflagging ques-tion uncovers the underlying issue. Reflag-oil tankers in 1984. Iraq attacks more than ging would destroy all pretense of Ameri-twice as many ships as Iran. Does the adcan neutrality in the Iran-Iraq war. The tilt toward Iraq might lead to direct hostilities between the United States and Iran, or at least drive an even deeper wedge between them for decades to come, perhaps even pushing Iran under the Soviet wing.

The enormity of these stakes compels caution. To make matters worse, the Reagan stration's recent performance and policy in the Gulf do not inspire confidence. Even Bob Dole, the Senate Republican leader, feels compelled to say, "I don't think anyone knows quite what the policy is." Sam Nunn, chairman of the Senate Armed Ser-

wices Committee, urges delay in reflagging.
Washington may well have to take further action in the Gulf, especially since the administration has already pledged to reflag. It cannot simply renege and stand by and do nothing while Kuwait charters Soviet ships, as it has done. Predominance in the Gulf bears heavily on regional and global influence. It is entirely possible that a compelling case can be made for reflagging. But the burden of proof is on the administration.

In fairness to the administration, it is necessary to get events in the right order. What inflamed the public was the Iraqi attack on the USS Stark on May 17. But it was months earlier that Kuwait first approached Washington about reflagging. It was in March that the United States and Kuwait

40 years to protect American shipping and to charter three Soviet vessels. And it was in to give visible expression to extensive March that U.S. intelligence spotted Iran American interests. None of that is at issue. siles near the Strait of Hormuz.

The administration accepted those risks at the time. Congress and the public took no exception. Only after the attack on the Stark did people notice, and question.

So the administration dusted off the neutral rationale that the navy is in the Gulf to · defend freedom of navigation. The point is not very persuasive. Iraq, not Iran, started ministration propose defending Iranian shipping on behalf of principle?

It was not free navigation but the Iran-Iraq war that impelled the administration to consider extending the navy's protection to Kuwait. That oil-rich sheikho finance iraq against Iran.

The clear danger to regional stability, far more than attacks on shipping is Iranian fundamentalism. The United States has no warrant for warring on Iran. Iran has not attacked American ships. Indeed, the United States hopes for better relations with Iran after Ayatollah Ruhollah Khomeini. These considerations all argue for caution.

To delay reflagging does not preclude making other arrangements with Kuwait or other Gulf states. Nor does it mean, as President Reagan contends, abdicating "our role as a naval power" or opening "opportunities for the Soviets to move into this chokepoint of the free world's oil flow." The United States will retain six frigates and destroyers in the area plus an aircraft carrier battle group. The Soviet Union has no warships there.

America has the military power in the region to put off reflagging until the Stark episode settles, U.S. interests are more clearly defined and the administration puts forward a policy worth taking risks for.

- THE NEW YORK TIMES

# No Script for South Korea

The radical students who started the riots in South Korea are being joined by some older, middle-class people and cheered by still others. A government whose pride is order has lost control of the streets. The military shows signs of uncase, with one faction growling for a barsher crackdown, perhaps martial law, while another explores a measure of relaxation and a return to the talks on presidential-election rules whose breaking off, by the government, triggered the crisis. A return would raise the question of whether the opposition would or could control the charging bands in the streets.

Caught unprepared, the United States struggles to retain a policy grip. It had hoped that President Chun Doo Hwan would guide South Korea to a peaceful transfer of power in February and that Seoul would reap the prestige of hosting the 1988 Summer Olym-pics. But Washington did not count on Presi-dent Chun's rigidity or on the determination of the opposition. Now the administration must play catch-up: Mr. Reagan has written Mr. Chun advising moderation, and en-dorsed Representative Stephen Solarz's resolution calling for broader freedoms and the resumption of constitutional talks.

There is no text to guide a transition

South Korea, which has no firm democratic tradition and which has a treacherous neigh-bor, Communist-ruled North Korea, and the powerful armed forces to match. These cultural and circumstantial considerations bave reinforced the caution of American policy makers in dealing with violence or revolu-tion; they fear decisive action for democratic change may offend nationalistic sensibilities or embolden the players to do the wrong thing. The Philippines, where the Resgan administration did help move events along. is cited as a relevant model. But the Philippines had a democratic strand in its past and no comparable security threat. Crucially, a plausible democratic leader came along and the army suddenly switched to her side.

There are, nonetheless, risks in the stated American policy of "restraint." South Korea is a place where the society, modernizing fast, has outgrown the state. It is readier for democracy than the generals are. It is also a place that hangs on every American word and on every American hesitation and ailence, which some in the opposition exploit to blame Americans for the home-grown repression. The task before the United States is to make sure South Koreans understand it

# **Fighting Italian Paralysis**

the Italian election that his own Socialists assures a quarrelsome handful to every micame closest to winning. Winning, Italian nority party. The result: too many checks, style, means creeping up a few points in the popular vote, from 11.4 percent to 14.3 percent in the Socialists case. That only alition with smaller parties, because the shifts the balance within the ruling center coalition; nothing much was changed by the June 14 vote. Italy faces months of the paralysis that the vote was meant to end.

It is no crisis. Italians know how to muddle through. But the paralysis follows three effective years of a Craxi-led coalition, when the economy spurted and real reforms were enacted. This performance probably cannot he matched without basic electoral reform.

More-of-the-same voting is increasingly common in Europe. It has just happened in Democrats, threatening chronic paralysis. Britain and West Germany, where conservative governments were returned by much the same margins as before. But there is this difference. Though her party won only 43 percent of the vote, Prime Minister Margaret Thatcher holds a commanding majority. in the wider Atlantic alliance. That is because it is winner-take-all in Brit-

"Very complex and confusing," declared ain. Italy's proportional representation sys-former Prime Minister Bettino Craxi after tem, like that of Israel and other countries, Communists (26.6 percent) are not trusted as partners. There are six tiny parties.

One remedy for Italy's paralysis is increased use of referendums to settle what Parliament cannot; the Greens now urge a plebiscite on nuclear power. Another remedy is leadership of the kind Mr. Craxi provided in those prosperous years, in which terrorism declined and agreement was reached on deploying U.S. medium-range missiles. But his success stirred the resentment of Christian

It is time to consider a more fundamental remedy, which Mr. Craxi has proposed: Change the rules to inhibit tiny parties.
Giving the center more space could boister democracy - and Italy's useful voice with-

- THE NEW YORK TIMES.

# Other Comment

A Longer Battle for Vietnam

Viennam has been gradually shedding its oldest comrades, men who under Ho Chi Minh formed the century's most formidable sistance movement. Death claimed Le unemployment and a level of inflation more Duan, the Communist Party secretary-gener-associated with a Latin American banana ol, last July. Five months later, Truong Chinh, his successor; Premier Pham Van Dong, and Le Duc Tho, negotiator with Henry Kissinger of the Paris peace agree- Mr. Chinh suggests change will be slow. ment, resigned from the Politburo. However,

it was only Thursday that Mr. Dong was replaced as premier and Mr. Chinh as president. Unmatched on the battlefield, the old guard proved inept at running a peacetime economy. Today, Vietnam suffers from high republic than a Marxist state. These failings have been admitted by the new leadership. But the choice of successors to Mr. Dong and

- The Daily Telegraph (London).

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Editor for Asia: Michael Richardson, 5 Canterbury, Rd., Singapore, 051). Tel.472-7768. Th. RSS6928 Managing Dir. Asia: Malcolin Glenn, 50 Glouester Road, Hong Kong, Tel. 5-8610616. Telex: 61170 Managing Dir. U.K.: Robin MacKichan, 63 Long Acre, London W.C., Tel. 836-4802. Telex: 262009 Gen, Mgr. W. Germany: W. Lauenbach, Friedrichter. 15, 6000 Frankfurt M. Tel. (069) 726755. Th. 416721 Pres. U.S.: Machael Carroy, 830 That Ace, New York, N.Y. 1002. Tel. (212) 757-3890. Telex: 427175 S.A. au capatal de 1.200.000 F. RCS Natione B 732021126. Commission Paritaire No. 61337 © 1987, International Herald Tribune. All rights reserved. ISSN: 0294-8052.



# **Opportunity** For a Bridge Over the Gulf

By George W. Ball

D RINCETON, New Jersey — The doctrinaire view of foreign policy demonstrated by President Reagan's reaction to recent events in the Middle East reflects his strange compulsion to express all regional quarrels in the bellicose idiom of the East-West struggle. That practice is anything but useful. Not only does it obstruct progress toward a settlement of the Middle East's complex problems, but it denies us the opportunity to explore some potentially produc-tive approaches to the Soviet Union that evolving alities now make possible. The administration's Middle East machina-

tions have been not merely Byzantine but inept. When, in spite of pious denials and evasions, the White House was caught arming Iran, that disclosure provoked mistrust in every Arab capital. Such mistrust was felt with particular intensity in tiny Kuwait, which, caught in the middle of the Iran-Iraq "tanker war," approached the U.S. Coast Guard in January with a request to trans-

fer its tankers to American registry.

Then, a month later, only after the coast guard had ignored that request with bureancratic indifference, Kuwait asked Moscow to place the Soviet flag on Kuwaiti tankers. Moscow professed unfamiliarity with the practice of "reflagging," but it did lease three tankers to Kuwait and

agreed to provide them with small armed escorts.
Oddly, the White House took little notice of these events until after the Iraqi attack on the U.S. frigate Stark on May 17. Immediately the president, without consultation with Congress or any adequate military planning, amounced that the United States would transfer its flag to 11 Kuwaiti

Omea states would transfer its flag to 11 Kilwaiti tankers and provide them with armed escorts.

Once more ideology had prevailed over logic. Though Iraq attacked the Stark and Iraq had perpetrated two-thirds of all the harassment incidents against Gulf shipping, the president dramatically proclaimed that he was taking this step so that the use of vital Gulf sea lanes "will not be dictated by the Iranians." He added, as if by reflex that "these lanes will not be permitted to come under the control of the Soviet Union."

So while abruptly renouncing America's neu-trality in the Iran-Iraq war and allying the United States with Iraq, the president seemed compelled to sing his old hymn of hate for Moscow. Yet, in his anxiety to bluster the Soviet Union into keep-ing out of the Gulf, he utterly failed to explain how it could possibly contrive to "control" the Gulf sea lance merchy by experting three teckers.

lanes merely by escorting three tankers.

His shrill warning sounded even more off-key when the Soviet first deputy foreign minister, Yuli Vorontsov, stated reassuringly that, regardless of Washington's plan to build up its Gulf fleet, the Kremin had no intention of angmenting its clear three thir fleetills. Not did the presiing its tiny three-ship flotilla. Nor did the president even acknowledge Mr. Vorontsov's additional statement that his country was eager to consult with America on halting the Gulf war.

WASHINGTON — Since World War II, half of the eight U.S.

presidents have come up from the vice presidency, and two other vice

presidents have won presidential

quite cavalier about the way running mates are selected. The last time the

public had a say was in 1956, when Adlai Stevenson allowed the Demo-

cratic delegates to decide the matter.

from monumental mediocrities like

Millard Fillmore to Mount Rushmore

types like Theodore Roosevelt. In 1972, the nominees of both parties

made critical mistakes in picking run-

ning mates. George McGovern's cam-

paign self-destructed when the elector-ate learned that his first choice,

Senator Thomas Eagleton of Missouri, had undergone psychiatric treatment. The winner, Richard Nixon, was even-

Originally, the office was awarded to the runner-up in the general elec-tion. A look at history adds weight to

tually no luckier; Spiro T. Agnew was forced to resign as vice president in 1973 after a tax frand indictment. The logical way to a

minations. Yet there is something



Mr. Reagan's negativism seems particularly wrong-headed since Moscow and Washington have a common objective in the Gulf. Both wish to promote tranquillity there and both are antagonists of revolutionary Iran. Each nation knows that the triumph of the Khomeini regime over Iraq

would present it with major policy problems. Iranian Shiite fundamentalism is already creating turrest in Moslem-inhabited Central Asian oblics of the Soviet Union, while Iran's aid to the Afghan rebels is galling to a Kremlin that desperately wants out of the Afghan imbroglio. For its part, America would suffer serious dam-

Moscow and Washington should work together for a resolution of the Gulf war, then turn their attention to other regional problems.

age were an Iranian victory to unleash fundamen-talist forces that might overthrow friendly Arab governments. And were the Iranians to gain control of practically all of the Gulf's oil, the Khomeini regime could exert leverage on Japan, Europe and the United States. In view of Iran's hatred for Israel and its big brother, America, it might even bring to the side of the rejectionist Arab states vast numbers of veteran troops that could tip the balance and ultimately force the United States to intervene with its own armed forces.

To forge a wise policy, the administration most frankly answer at least two questions. Does it make sense for the United States to try to maintain an exclusive sphere of influence in the Middle East? Should American lives be risked to pursue that dubious goal, or would the United States not be better advised to seize this rare chance to engage the Soviet Union in a common effort to resolve some of the festering problems that make sleepless nights for each superpower?
The benefits of a mutual approach could be

The Office No One Runs for but Few Would Spurn

By Patrick Thomas

then, hominess have normally exercised autocratic power and most often selected someone to woo a specific group. Geraldine Ferraro's someonic properties of the same and present experience running for second place in 1976; besides, he has a better job now as secure misority leader. Howard Bakeer, the former Senate leader and presented the secure of the same and secure of the sec

sic case of political symbolism to sp- sent White House chief of staff, is

Tilden was the Democratic candidate.

nore their serious primary rivals, often at the expense of their own chances. A

Jimmy Carter-Edward Kennedy slate

in 1980 or a Gerald Ford-Ronald Res-

gam team in 1976 could conceivably have changed the outcomes. Yet per-

sonality conflicts precinded practical-

On the Republican side, we know

at least who is not likely; George

Bush can hardly relish the idea of

being history's first 12-year vice pres-

ident. Senator Bob Dole of Kansas

overqualified. Two serious contend-

ers could be Paul Laxait, the retired

Nevada senator who is a close friend

incipiently democratic, potentially converging. No single thing may have softened his Western reception

more than the uncritical spreading of

this one definition of glasnost by the

journalists and others who supposed-ly stand goard at the linguistic politi-cal gates. Carelessness and wishful thinking surely account for part of

this pervasive misreading. But there is another part, which is

that glasnost is an odd duck, and none of us, perhaps not even Mr. Gorbachev, has figured out exactly

incipiently democra

next year's No. 2 nominees.

Presidential nominees usually ig-

significant, provided the administration revised its attitude and thetoric. Mr. Reagan is still concenanimale and metoric. Mr. Reagan is still concentrating on rendering micker weapons "impotent and obsolete" while doggedly playing the 19th century "great game" of trying to bar the door of the Middle East against Russia. He is ignoring the chance to exploit the nuclear balance of textor that has for 40 years deterred the superpowers from

One may speculate that by breaking the war cycle that has for millennia cursed humanity with two or three major wars a century the nuclear stalemate offers the first and best chance for a stalemate offers the collaboration in less three controls. cautious East-West collaboration in key areas

here the superpowers share objectives.

That proposition should be tested, and the stence of common interests in the Gulf offers achance of common mierests in the Gun oners a chance to test it with a minimum of risk. That is not to imply that the Krezdin will totally change its habits; no doubt, whenever its financial resources and internal difficulties permit, it will still seek targets of opportunity abroad.

But if the United States takes preventive mea-

sures to deal with the conditions that provide those opportunities and create those targets, in-

stead of relying solely on force and military power to deal with them after the fact, the Soviet Union might be denied significant gains.

Having combined our leverage to seek common immunity for our shipping and to fashion a resolution of the Iran-Iraq war, we might then turn our attention both to the Afghan war and the Anghan war and the Arab-Israeli struggle.

The latter proposal requires the United States to recognize that, although the Soviet Union lacks the ability to impose peace in the Middle East, it can torpedo any proposals that the United States might make. Since there is a growing danger that the rivalry of Syria and Israel could altimately lead to a proposal state the interest their ultimately lead to a confrontation between their superpower patrons, the occasion of the projected Middle East peace conference might be used to work out a common policy with the Soviet Union and the West European nations.

The writer was undersecretary of state in the Kennedy and Johnson administrations. He contrib-uted this comment to The New York Times.

libel suit and Mr. Kemp so far dem-

The Democrats have an embarrase-

of the black vote in the Southern regional primaries in March. If Mr.

Jackson's secret ambition is to be the

first black vice presidential nom

the Democrats could be in trouble. Since Gary Hart dropped out, Jack-

son tides have menaced the party

mainstream. For six weeks, Demo-

crais walked on cats' paws, until the

impetnous Delaware senator. Joe Ri-

onstrates no broad appeal.

# John Paul: The Great Confronter'

By Jim Hoagland

PARIS — The protests about Pope John Paul II receiving Kurt Waldheim at the Varican this week miss the point. As a religious leader, the poperturns no sinner away. As a political leader, this pope has rightly made it his duty to confront rather than shundars. those with whom he disagrees, from General Pinochet of Chile to General Jaruzelski of Poland.

In an era when Ronald Reagan and Mikhail Gorbachev are styled as the Great Communicators, John Paul is. the Great Confronter. He wants to illuminate an international moral order as an alternative to the corrupting political structures of the temporal world. The pope does not allow those who try to find legitimacy by meeting him to get away unscathed, as Mr. Waldheim will discover.

The protests demonstrate another important reality about the pope.

Most of us tend to focus on this remarkably multifaceted pontiff through the one or two prisms that matter most to us at the time, and fail to grasp the integrated, long-term po-litical and ethical vision of a man who will mark the closing years of the 20th

century as much as any other leader we can identify today.

If we disagree with him on birth control or his tough rejection of the Sandinists, he comes on like a Roman Catholic ayatoliah. If we do not like his message on redistributing wealth or oppose having his cardinals chal-lenge pro-Western military regimes,

he is a meddling do-gooder. The sense that there is a broader pattern in all this has been growing for me since a trip through Asia last year provided a chance to listen in the same week to Cardinal Stephen Kim in Scoul and Cardinal Jaime Sin in Mamila. They described in detail the moral collapse of the clites roling their nations and the church's refusal to collaborate in the efforts of those elites

to keep power through repression.

The differences between the two prelates, and between their societies, are greater than the similarities. But John Paul's determination to have his church be the alternative moral anthority to government in societies swept up in social upheaval was clearly enunciated by both men.

In the Philippines, Cardinal Sin, acting with John Paul's encouragement, played the key role in mobilizing "people power" to depose the Marcoses. We may be witnessing a similar process at work right now in South Korea and in Panama. And the pope's trips to his native Poland, in-cluding the one he concluded early last week, have fundamentally re-

shaped politics in Eastern Europe.

Despite open displays of disapproval by General Jaruzelski and the rulet discomfort of the more conservative and accommodation-minded national church hierarchy, John Paul ment of potential riches; all the presidential candidates seem suitable for publicly celebrated the regime's failsecond place. But with a large field of are to break the moral authority of the outlawed Solidarity movement. presidential candidates, what is worry-ing Democrats most is a vision of a He extolled the courage and intellectruly open convention, with no canditual honesty that have kept Solidarity date coming to Atlanta with more from being bought off or intimidated than 35 percent of the delegate votes. out of existence. And he refused to ment proposals made by Mr. Gorba-chev and General Januzelski. could be the Reverend Jesse Jackson. who could take as much as 90 percent

The pope's persistent and pa chipping away at the evils of Com-manist rule in Poland stands in sharp contrast to the kind of rhetorical challenge that Mr. Reagan threw at Mr. Gorbachev in inviting him to apply the ultimate in transparency to the Berlin Wall by tearing it down.

Some at the State Department counseled against the "tear down the wall" line as being too provocative at den, said what the cautious had been afraid to say: Mr. Jackson is unaccept-able as a running mate. The problem is not that he is black but that he is a That objection misses the point. The White House continues to

radical of the left — as somely as George Wallace was a radical of the look for dramatic gestures to show right in 1968 and also unacceptable.

Mr. Wallace was a spoiler; his that there is still life in the administration, rather than developing a seri-American Independent Party took 13 ous analysis of how to deal with the percent of the vote and probably Soviets in the years to come.

threw the race to Mr. Nixon: At the The White House underscored this core of Mr. Jackson's power is the in another way recently by sounding

threat of his mounting an independent out Zbigniew Brzezinski about beandidacy after the convention.

In theory, the vice presidency is coming the next U.S. ambassador to Foland. Mr. Brzezinski, national secont so much an office you run for as conity adviser to Jimmy Carter and a not so much an office you run for as red flag to the Russians, was not nity that you position yourself for. interested in discussing this bizarre
"I'm running for president, not vice
president"; that's what they all say.

interested in discussing this bizarre
proposal and urged the White House
president"; that's what they all say. fessional, which it is now doing.
History is likely to record the cha lenge to tear down the wall as a mean

less taunt, delivered as a grand ge ture that was not conceived as part 4 a coherent policy. The Reagan admir istration, heading into a summit meding with a clever, manipulative Sove-leader, continues to be unwilling: put in the kind of hard work a steady attention that John Paul votes to the same set of problems. The Washington Post.

# Glasnost: You Have to Read the Footnote

Court that the country's Founding

Fathers were not necessarily the last

word on good government.

In the 1800 election, Thomas Jefferson and Aaron Burr tied with 73

electoral votes each, and the race was

decided in the House of Representa-

tives where Alexander Hamilton

swung the decision to Jefferson. The

illuminated in 1804 when Vice Presi-

dent Burr killed Hamilton in a duel.

Just before the killing, in a climate of

rancor, the constitution was amended

to allow the presidential nominees to

name their own running mates. Since

The logical way to a running mate

would be to choose the runner-up

to the runner-up in the general elec-tion. A look at history adds weight to the argument put forth by Justice Thurgood Marshall of the Supreme from the primaries, as Ronald Reagan of Mr. Reagan, and Representative did in 1980 and John Kennedy did in Jack Kemp of New York, the supply-1960. The only other time this has happened was in 1876, when Samuel Laxait has been wounded by a messy from the primaries, as Ronald Reagn

WASHINGTON - For a cou-VV ple of years now, we of the press, including those of us who know some Russian, and lots of other people have been talking of Mikhail Gorbachev's campaign for "openness" — to the point of making glasmost one of the few Russian words that is presumed to be in the informed citizen's vocabulary.
It comes, then, as a rude but nec-

essary awakening to be told by a former American diplomat, William H. Luers, in a footnote to his article on Eastern Europe in Foreign Affairs magazine, that we have got the translation wrong - and that it makes a beek of a difference. Mr. Luers, an old Moscow hand and the U.S. ambassador to

Czechoslovakia from 1983 to 1986, translates glasnost as "public airing," adding the following footnote:
"One equivalent in Czech to glasnost seems to be 'hiasitost,' which means 'loudness.' The Czechs ... simply use the Russian word in re-porting about Gorbachev's efforts, but they, like others in Eastern Europe, know that it does not mean 'openness,' and speculate that it is closer in meaning to 'publicity.' This is the meaning listed in Russian-English dictionaries. The English-lan-

guage media and scholars seriously distort its meaning, in my view, by translating glasnost as 'openness.'"
With a chutching feeling, I looked up — for the first time — glasnost in my old student Smirnitskii. "Publicity." An unsystematic computer search established that in Mr. Gor- of a society that is shedding controls, bachev's first days, Renters was say- and publicity is merely a technique ing "publicity" and The Associated of manipulation, something subject Press "openness or publicity" — evi-dence that some journalists were trying to grapple with the complexity of "openness" gives an unearned gift to it all — but in more recent times Mr. Gorbachev. It tends to make his

the convenience of "openness." What difference does it make? Only this: Openness summons up the friendly images of a would-be-

Western society, while publicity or public siring, though not exact, indi-cates more of the truth of the matter,

inquiry by an otherwise closed Com-munist society for number than the

Practically speaking, openness in-volves publicity and publicity in-volves some openness. Essentially,

however, openness goes to the nature

leadership alone defines.

ist society for purposes that the

what it is. It is not just hopeful Westerners who see the new mode as something that could move the Soviet Union toward pluralism and democracy. Wary Soviet Commu-nists feel the same way. Robert C. Tucker of Princeton notes that Mr. Gorbachev has found it necessary to quash fears that his prescription seemed too radical, assuring the Communist Party Central Committee that "no breakup of our political system" is intended Gail Lapidus, a Berkeley profes-

sor, sees in glasnost a "simultaneous connotation of both candor and publicity" whose aims are to reduce the Soviet people's reliance on foreign (radio) and unofficial (gossip) curces of information and to enhance the regime's credibility and popular standing. Glasnost, she

adds, offers "a convenient weapon for use against political opponents." This element of official hands-on is precisely what fades into the mists of openness. The Economist of London tried and failed in its June 13 issue to find a one-word substitute. "Public siring" has two words and handles a bit awkwardly but goes in . the right direction. It's got openness. The Washington Post.

The interesting match was between the vice presidential candidates — Calvin Coolidge and Franklin Roosevelt. wrote this for the Los Angeles Times.

candidacy after the convention.

hope for. In practice, it is an opportu-

Not since 1920 has America seen a

race so up for grabs. That year, Republicans took 10 ballots to settle on

Warren Harding for president, while the Democrats needed 44 to nominate

James Cox. That was also the year the

tickets were historically bottom-heavy.

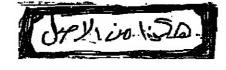
## IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Chima's New Woes 1937: Blum Cabinet Fa

PARIS - [A Herald editorial says:] China is again in a state of anarchy. The regular troops, unpaid and mutinous, are looting in various regions; the irregular forces, with which the overthrow of the Manchu dynasty was achieved, inspire distrust everywhere. Serious disturbances have occurred in Mukden, and the outlook in Canton is extremely threatening. Bosiness is at a standarill, the authorities are powerless or incompetent,

distress is rife. Perhaps the most disquieting element is the pusillanimity of the Governmental chiefs. The Premier, Tang-Shao-Yi, is in flight; his example has been followed by one of his colleagues. With all respect for the eminent. members of the Chinese Cabinet, it must be admirted that their eagerness to get away from Peking suggests that they consider the Chinese Republic to be in danger.

PARIS — Following the resigna 10 of Premier Leon Blum fon June Senator Camille Chartemps, R. wing leader of the Radical-Soc party, accepted President Albertonus invitation to form a new D. crimient. Despite the fall of the Cabinet, the Popular Front reunbroken in the Chamber. In vi approve of a Popular Front Radical instead of Socialist tion between the two parties bly have been settled. The John des Débats (Right) said: "It was the black of the b des Debats the conflict between itable that the conflict between Blum Cabiner and Parliament at aconer or later, and it meritable that it should break over the question of finance, Blum Cabinet was destroying line little the Parliamentary regime.



Adel Osseiran making a call in an effort to free his son.

# Lebanon Official Accuses Sharjah Ruler Hezbollah of Seizing Son

fense Minister Adel Osseiran ac- efforts to find the captives. Oscused the pro-Iranian Hezbollah militia on Sunday of being responsible for the kidnapping last week of his son and an American journalist, Charles Glass,

Mr. Osseiran also predicted that there would soon be "surprise" developments about all foreign hostages. He did not elaborate.

"They are with Hezbollah. It was confirmed," he said at his family home, about 20 miles (30 kilometers) south of Beirut. The defense

minister had avoided a direct accusation last week. Hezbollah, or Party of God, has denied any link to the abductions. Ali Osseiran, Mr. Glass and their

Mr. Glass was the first foreigner known to have been kidnapped

area south of Beirut on Wednes-

RMAILEH, Lebanon — De- has ordered his forces to step up seiran family sources said Satur-

Some hostages are believed to be in the southern suburbs of Beirut, where Hezbollah has bases and which are virtually surrounded by Syrian proops.

Tension was still high in the southern suburbs Sunday after two persons were killed in clashes Friday between the pro-Syrian Shiite Amal militia and members of the Mikdad family, which is close to

Hezbollah. Christian broadcasting stations in East Beirut said that the abduction of Mr. Osseiran and Mr. Glass - a challenge to Syria's authority police chanffeur were kidnapped in in West Beirut — was linked to a Syrian-controlled, Shiite Moslem strains between Tehran and Da-

Mr. Glass, 36, arrived in Lebanon earlier in June to research a book. He also did some free-lance since 7,000 Syrian soldiers were reporting for his former employer, sent into West Beirut in February. ABC News.

# Singapore Detains 6, Frees 4 in Alleged Plot

SINGAPORE — The government has announced that 4 of 16 pore to lift restrictions it imposed persons arrested last month for al- on Time magazine and the Wall ged involvement in a subversive Street Journal's Asian edition after Marxist network have been freed disputes over what the government and 6 others arrested.

The official statement was issued as Suppiah Dhanabalan, Singapore's foreign minister, confirmed change will take place," said the promise. Saturday that the United States, delegation's chairman, Leonard They Canada and Australia had raised the question of detentions with Singapore. He declined to give details and said the arrests were purely an

internal matter for Singapore. Among the six new arrests were businessman, a lawyer and a university lecturer. They were said to have been implicated by those detained earlier, All 22 suspects were detained under Singapore's Inter-nal Security Act, which allows in-definite detention without trial.

George P. Shultz, the U.S. secretary of state, said Friday that he had discussed the detention of the 16 persons in the original group of detainces "rather extensively" with Mr. Dhanabalan.

The officials from the United States, Australia and Canada were here for talks with Singapore and its partners in the Association of Southeast Asian Nations.

Ten of the original 16 were Roman Catholic church workers. One of them, Vincent Cheng, conceded in a television interview early this month that he had used church organizations as a cover for Marxist subversion.

Mr. Shultz said he would not comment on the case because it was taking place within the framework of Singapore's laws.
Bill Hayden, Australia's foreign

minister, said that while Australia respected the right of Singapore to safeguard its internal security, those detained should be charged

Joe Clark, Canada's secretary of state for external affairs, also brought the matter up with Mr. Dhanabalan, officials said.

Prime Minister Lee Kuan Yew said June 2 that it was not Singapore's practice to bring those delained under the Internal Security Act to trial. He said he would "not allow sub-

versives to get away by insisting that I've got to prove everything against them in a court of law or produce evidence that will stand up to the strict rules of evidence of a court of law."

But Mr. Lee, a lawyer by training, said confessions would not be obtained by torture, coercion or distortion of the truth.

The government statement Saturday said Mr. Cheng, a former seminarian who is allegedly a key figure in the network, would be held in detention for two years. The
11 other members of the original 16 will be held for up to one year for what the government called "reha-

# For Kuwait, 7 Years of Gulf War Revive Old Religious Hatreds

By John Kifner New York Times Service

KUWAIT - Seven years of war berween Iran and Iraq have begun to rip the social fabric of this rich oil-producing emirate in the Gulf. stirring ancient animosities be-tween Sunni and Shiite Moslem

The Sunni ruling family of Ku-wait has backed and financed Iraq from the beginning, largely from fear that Ayatollah Ruhollah Kho-meini's Islamic Shiite extremis fundamentalism might spread from

A third of the people in Kuwait are Shiites, including many whose roots are in Iran.

largely well-to-do and, by the standards of the Arab world, relatively well integrated. But the Shiites have begun to feel growing identification with their religion, and this has led to the rise of an Iranianbacked underground and violence.

The policy they are following in the Iran-Iraq war is splitting the country." said a Western diplomat, referring to Kuwaiti Shiites. "If it keeps dragging on, you could get a Lebanon, a civil-war situation

He said the small groups that exist now would not be able to do it, adding, however, that the Shiites "are clearly dedicated people, and

committed according to the various

accusations," Mr. Shamir said. Mr. Shamir said Israel could do

nothing to influence the planned

papal audience because of the lack

of diplomatic relations with the

Vatican, which does not recognize

press its unhappiness and regret,"

■ Reaction to Protests

"Israel can do nothing but ex-

Roberto Suro of The New York

The Vatican issued a statement

Mr. Waldheim has been accused

of taking part in deportations and

executions of Jews and others in Second Vatican Council in 1965.

Times reported earlier from Rome;

the Jewish state.

Mr. Shamir said.

Kuwait's Shiite community is if it goes on like this on the domes- clashes, and two policemen were tifying by group, just as in Leba-

Six Shiite citizens were sentenced to death early this month for sabo- of torture. tage in the oil fields and docks in January. Explosions and fires were set on the eve of a meeting by nounced the meeting. Twenty-five Kuwaiti Shiites and

Saudi are being tried behind closed doors for battling policemen vho were searching for suspects in efficient but harsh, according to

War II. He has denied the allega-

Leaders of American Jewish or-

ganizations, who met Friday in New York said the papal audience

with Mr. Waldheim had made "in-

appropriate" their own planned

in September during his visit to the

United States.

meeting with John Paul in Miami

Vatican officials insist that Aus-

tria's bishops did not lobby for the

visit. The Austrian government was

said to have been the most active in

beseeching the Vatican to receive Mr. Waldheim.

changes between Vienna and Rome

is still unclear, some Vatican offi-

cials believe that Austrian officials,

and in particular leaders of the

Christian Democratic Party, inter-ceded on behalf of Mr. Waldheim.

concern in recent days that the au-

dience could be a setback to some

prove relations with Jews, which

Vatican officials have expressed

While the nature of the ex-

tic scene you will have people idenseriously wounded. There have in a propane storage tank at an oil
tilying by group just as in Lebabeen roundure of entire families, installation near the city of Kuwait, and this includes both Sunnis, who been roundups of entire families.

Eight Shiites, mostly juveniles, were arrested this month on charges of distributing pamphlets Islamic leaders: Iran had de-that described the government as

A diplomat who saw the pamphlets said they were signed in the name of Hezbollah, or Party of God, which represents the Iranian the sabotage. The suspect escaped. and Lebanese Shiite fundamental-The search for the plotters was isis, and also by a group called ficient but harsh, according to Forces of the Prophet Mohammed

prised and grieved" that the an-

nouncement of Mr. Waldheim's

visit had provoked "questions and

doubts about the consideration and

respect by the pope and the Holy

See toward the Jewish people and

particularly their position regard-

ing the inhuman persecution which

After defending the pope's posi-tion toward the Jews, the Vatican

statement explained the diplomatic background of Mr. Waldheim visit.

tria. "an old and noble Catholic

nation," is linked to the Holy See

by "cordial relations," and it says

the Austrians democratically elect-

Mr. Waldheim, it added, had

previously been elected to two

terms as secretary-general of the

United Nations and had "carried

out missions of great responsibility

for peace and international cooper-

ence had been granted because of

The statement said Mr. Wald-

ed Mr. Waldheim a year ago.

The statement notes that Aus-

struck them.

of John Paul's many efforts to im- heim's official request for an audi-

emerged from a decision by the the Holy See's relationship with

Austria.

right down to their Sri Lankan It burned out of control for almost maids. There have been allegations three days and threatened the city. The police said earlier this

month that the saboteur was a Kuwaiti Shiite. Faisal Ahmed Karam Neiruz, who held a responsible position in the national Kuwait Oil Co. Others accused in the sabotage were also employees of Kuwait Oil

Kuwait has not been immune to terrorist attacks. Suicide truck bombs damaged the U.S. and French embassies in 1983. In 1985, the driver of a car rigged with a bomb tried to crash into the emir's Both acts were blamed on Al

Daawal, the Iranian-backed Iraqi Shiite underground, and could be dismissed as the work of foreigners. All of that changed in January when more than a dozen Shiite citizens were rounded up in connec-tion with the oil-field fires. Their weapons and bombs were dis-

played on TV. The arrests sent shock waves through this tiny nation. Editorials questioned the wis-

dom of having granted citizenship to Shiites -- "people who spoke in Arabic but whose hearts beat in Persian.

"There's no such thing as an upper-class Shiite!" a Sunni busine man exploded when a visitor mentioned that several of those arrested bore the names of major Shiite clans, usually regarded as part of the Kuwaiti elite.

"It's a very gloomy situation," said a Western diplomat. "It's difficult to protect against a serious breakdown of law and order. It's partly a Persian-Arab issue as well as a Shia-Sunni one. The history is long.

"It's a question of divided loyalties. Now the Sunnis really believe that you cannot trust a Shia, no matter how long they have been here, how rich they are, or how much they protest their loyalty to

predominate, and Shiites, Citizens have considerable benefits, including a guaranteed salary and a house with maid quarters. People from other countries do much of the menial and technical work.

people from Iran, Lebanon and Pa-

Shiites have become well represented in a number of sensitive fields, particularly in the Kuwait Oil Co., the army and the police. comfortable jobs in government and business.

There is now an effort, diplomats and Kuwaiti sources say, to move the Shiites out of their sensitive

"More and more, any Kuwaiti Shiite is regarded by the authorities as a potential fifth columnist. which is a self-fulfilling premise, said a European diplomat

A Western-educated Kuwaiti Shiite said: "There is increasing hostility toward the Shia, suspicion of the Shias' loyalty to the system. It's being questioned by everybody. Now there is discrimination. I would not have bought that idea before, but now I can feel and smell that discrimination. Now I can see it for myself.

"Most Shias, being of Persian origin, sympathize with Iran, while Sunnis sympathize with Iraq. Some of the tensions now are related to the war: some are deeply rooted."

Western diplomats give the ruling emir, Sheikh Jaber al-Ahmad al-Sabah, credit for trying to enforce security while at the same time attempting to avoid religious

But, they add, he is under pressure from hard-line Sunnis to strike at the Shiites. They note that emotions are highest among young peo-ple, and half the Kuwaiti citizens are under 15.

Sunni fundamentalist groups have openly advocated attacks on Shiite mosques.

# Israel Assails Waldheim's Papal Visit plained in the world as a kind of Greece and Yugoslavia when he legitimization of the crimes he was a German lieutenant in World

JERUSALEM - Prime Minister Yitzhak Shamir of Israel on Sunday condemned Pone John Paul II's decision to grant an audience to President Kurt Waldheim of Austria, saying the meeting would give legitimacy to alleged wartime crimes by Mr. Waldheim.

"In face of the fact that there are serious accusations against Waldheim, this move would be ex-

# Is Reinstated President Hafez al-Assad of Syria By Emirates

DUBAI - The ruler of the Gulf

Leaders of the United Arab Emirates met Saturday night and confirmed Sheikh Sultan as the le-

The brother who had tried to remove him, Sheikh Abdel-Aziz

Sheikh Abdel-Aziz said Wednesday that he had family support to replace Sheikh Sultan, whom he accused of plunging the emirate \$1.4 billion into debt through eco-

He installed himself in the ruler's court, surrounded himself with 100 armed soldiers of the Emirate Guards under his command, and

Sheikh Sultan, who was on a prithe neighboring emirate of Dubai - which supported him - to con-

emirates, saying there was a need to preserve stability and security in the United Arab Emirates.

considered to be anti-Singapore ar-Sources with close ties to the "We are not encouraged that agr

Saturday saying it was "surprised and grieved" that the pope's deci-sion to receive Mr. Waldheim had provoked doubts about the pope's respect for the Jewish people.

The statement was issued after Jewish groups in the United States. Europe and Israel protested the visscheduled for Thursday. The Vatican rarely offers official comment on the motives for a pa-

emirate of Sharjah, Sheikh Sultan Bin Mohammed al-Qassimi, was reinstated four days after his brother removed him in a power struggle, the Emirates news agency reported

gitimate ruler, the agency said.

Bin Mohammed al-Qassimi, was appointed Sharjah's crown prince,

said he would step down only if his family or the people asked him to vate visit to London, flew back to

test his brother's claim. The news agency carried a brief statement from the Supreme Council, which groups rulers of the seven

Sharjah ruling family said the

Marks. Mr. Marks is a former di-might retain a cabinet and an ap-rector of the U.S. Information pointed parliament that Sheikh

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Civil Aviation Authority of Singapore

TRAVELLER'S

# ETA Admits 'Mistake,' **Marchers Protest Terror**

Complied by Our Stuff From Dispatches BILBAO, Spain - The Basque separatist organization ETA admitted responsibility Sunday for the bombing of a Barcelona supermarket last week and called the action a "serious mistake."

A statement released here said that in the future the ETA would use all means to ensure a selective ity" in its terrorist attacks to prevent the public backlash that accompanied the blast in the underground car park of the

# **NUCLEAR:** U.S. Offered Site

(Continued from Page 1)

year either denied that such a proposal had been made or said they were unaware of it.

But several U.S. officials who have followed South Pacific affairs closely have confirmed the offer. An Australian diplomat familiar with the offer said France refused for reasons of national pride and because of concern that it would compromise development of an independent French nuclear deter-

He said the approach was regarded as a sensitive issue by both the United States and France.

Washington, he said, was prepared to provide an alternative test site if Paris wanted it. But the Reagan administration was not prepared to press the issue because French cooperation was important on a range of high priority matters for the United States, including arms control and maintenance of an effective Western alliance.

Officials in Australia and New Zealand have warned that anti-nuclear feelings there and in other countries in the South Pacific have been fanned by France's nuclear testing in the region.

At a press conference in Singapore Friday after talks with foreign ministers of ASEAN, the Association of Southeast Asian Nations, Mr. Shultz said the United States was concerned about the hostility that French testing had aroused in and around the South Pacific.

But he said that France's nuclear capability was part of an arsenal to be waged coldly." he said, maintained by the Western alliance, (Reuters.

Even now, some details remain ob-

The African subcommittee of the

House Foreign Affairs Committee

is investigating "a very strong cir-

member put it, that the United

States used Saudi money to circum-

vent a congressional ban on Ameri-

can aid to rebels fighting the Mara-

ist government of Angola. The

The Saudis acknowledge giving

about \$3 billion a year in public

foreign aid programs, and their secret contributions have apparently

These are among the major ex-

Washington and Riyadh have

cooperated to aid the insurgents in

Afghanistan, and their joint dona-

tions amount to "well in excess" of

\$500 million a year, an American

● In 1977, the Saudis financed

an airlift of Moroccas troops to

Zaira, where they buttressed the shaky government of Mobutu Sese

· Saudi money was used to help

the conservative North Yemen gov-

ernment repel an incursion from South Yemen in 1979. Much of the

money was used to purchase Amer-

At the request of the American

ambassador, the Saudis provided

sizable amounts of money to the

government of Somalia in the late

1970s and helped switch that coun-

try's alignment from the Soviet

operations have decided to discuss

them now, because they feel that

the full extent of the Saudi contri-

bution to American interests is not

declined to talk, saying that publi-

cation would embarrass the Saudis

and jeopardize the effectiveness of the relationship.
The Saudis' public-relations

problem has recently been drama-

tized by lierce congressional oppo-sition to President Ronald Rea-

gan's proposed sale of Maverick

missiles to the Saudis. The proposal

nurtured the relationship over

many years, the Saudi connection

has significantly enhanced the in-

To American officials who have

was withdrawn.

Some sources familiar with these

Union to the West.

nine-year ban ended in 1985.

in some years.

source said.

crowded Hiper-Cor supermarket. In Barcelona, 70,000 people demonstrated Sunday against the Basque attack that killed 17 and injured 37.

Two children carrying placards with the slogan "We want peace, down with ETA;" led the chanting demonstrators through the streets of Barcelona to the scene of the blast. The initials ETA stand for Basque Homeland and Liberty in the Basque language.

The ETA statement also expressed condolences to the Catalan people for the explosion.

Hospital sources said two of the 39 injured, a man and a woman, died Sunday. Thirty-four of the injured were reported in serious condition, many with severe hurns.

ETA has exploded several car bombs in Barcelona since the city was chosen last year as the site of the 1992 Olympic Games.

Indignation mounted among relatives of victims over the failure of the authorities to clear the supermarket despite warnings before the

Telephone calls from persons claiming to speak for the ETA warned police and a Barcelona newspaper nearly an hour before the blast.

Ramon Comes, whose brother and sister-in-law were injured, blamed the city's civil governor for (siling to evacuate the supermarket after the first threat. He accused the supermarket's managers of outting economic interests above the security of customers.

Police said they searched the supermarket but found nothing by 3:30 P.M., the time at which the caller said the bomb was set to explode. They concluded it was a

A lawyer representing the super-market denied Barcelona press reports that the supermarket received a separate telephone call warning them of the bomb. He said it was up to the police to decide whether to evacuate the building.

Prime Minister Felipe González who cut short a visit to Brazil, pledged Saturday to hunt down terrorists "with all legal means within our reach."

"One feels rage, but the fight has (Reuters, AFP)

ing or unable to spend on foreign

"I view it as a very cooperative.

mutually beneficial relationship,

built on an identity of views," a

Reagan administration official

cording to law and lawful proce-dures," he said. "There is nothing

to prevent us from talking to our

friends and doing things of mutual interest. Thank God for the Sau-

sign a check.'

ently not informed.

requests for Saudi help have creat-

tion of American foreign policy. The question is, are we doing

things for them?" the staff member

of the African subcommittee asked.

"Is there a quid pro quo here?"
Sen. David L. Boren, an Oklaho-

Senate Intelligence Committee,

These things were all done ac-

projects because of economic and political constraints.

SAUDI: Secret Billions Aid U.S. in Reaching Foreign Policy Goals

terests and influence of the United Officials of both countries insist

States at a time when it was unwill- that their relationship involves no

States to seek the help of other arms to the Saudis. But the Saudis,

countries to pursue foreign policy who deeply value secrecy, refuse to objectives. The intelligence com-

- William B. Quandt, the Brookings Institution

mittees in Congress approved Bandar bin Sultan, the Saudi

many of the Saudi operations. But ambassador to the United States.

in several cases, such as the aid to has told associates: "We have to

the contras, Congress was appar- show the United States we can be ntly not informed.

A broader question is whether more useful than the Israelis."

ed private obligations and expecta-saudi help for American foreign tions that could distort the execu-policy goals, Mr. Quandt said: "We tion of American foreign policy. were selling them a lot of arms and

ms Democrat and chairman of the began in the late 1960s, after

said he was satisfied that Congress to aid the nations that lost territory

had been adequately informed to Israel in the 1967 war. Some of

about the Saudi connection and those connections, even though

that the United States had not in- they had not been suggested by the

curred obligations that would work United States, proved useful in the against its interests.

ry about the American dependence requests for Saudi help.
on Saudi money. Robert C. McFarSecretary of State Henry A. Kis-

lane, the former national security singer, for instance, used Saudi in-adviser, told the congressional fluence to contact the Syrians and

committee investigating the Iran-contra affair that he was uncom-fortable soliciting money from the Heights, Mr. Atherton, who trav-

Saudis and that when an American eled frequently with Mr. Kissinger,

official does so, there is always the said the secretary used to remark, consideration of "what obligation "Wherever I go in the Middle East,

Nevertheless, some officials wor- Washington began making direct

'It takes King Fahd about 10 seconds to



Buddhist monks running for cover in Seoul after South Korean riot police fired tear gas into a street demonstration.

# KOREA: Ruling Party Considers Concessions; U.S. Sends Official to Seoul

Sunday night, about 300 students who had gathered on the grounds of the Myongdong Cathedral bombs at riot police.
The police immediately fired

tear gas, forcing the students back U.S. Sends Aide to Seoul onto the cathedral grounds. The United States point for the students.

The state radio, quoting party Sigur Jr., would leave for Seoul on officials, said Mr. Chun could help Monday, Reuters reported from resolve the political crisis by doing Sydney, away with a decision he made in U.S. officials accompanying Sec-April to postpone a dialogue with retary of State George P. Shultz on

collapse many years ago by evolv-

In 1984, Mr. Anselot and some

friends decided to make Redu a

sister city of Hay and held a book-

explicit quid pro quos. But they also acknowledge that mutual obli-

gations are widely understood and

"It's not written down any-where," said Alfred L. Atherion,

former assistant secretary of state

for the Middle East. "It's implicit,

but it's unambignous. The Saudis see this as a special relationship

and we do, too."

Reagan administration officials

argue that if lawmakers knew more

about the Saudi efforts to promote

American interests, Congress

would be more receptive to selling

In explaining the decision to seek

felt some quid pro quo was reason-

able to expect. They wouldn't give

it on the Arab-Israeli issue, so we

The Saudi foreign aid program

wealthy Arab countries were asked

I find Saudi footprints in the sand."

looked elsewhere."

selling fair to mark the event.

the opposition on amending the ntion. That decision, to put off the talks until after next year's Olympic Games, was unpopular of the Myongoong Canada and is commonly some moved to the street and hurled fire helped generate support for the and is commonly seen to have demonstrations.

The United States announced cathedral has become a railying Sunday that the assistant secretary of state for Asian affairs, Gaston J.

BOOKS: Village Turns a Page to Economic Rebirth

some booksellers decided to stay

idents also opened their stores.

permanently in Redu. Some local

By 1985, there were about a dozen

book shops, and that number has been growing steadily.

It is not known exactly how

prints were noticeable was Jordan,

which regularly received Saudi sup-

port. In the mid-1970s, an adminis-

tration official said. Jordan con-

tacted Moscow about financing an anti-aircraft system and the United

States urgently asked the Saudis to

underwrite a competitive deal. The

Aden from the Arabian Peninsula

that had been drawn into the Soviet

to Saudi Arabia was directed to

visit officials in Riyadh, maps of

the area in hand, and request aid

for the Somali regime.

The Saudis agreed to donate about \$200 million, and the manen-

orbit. The American ambas

once operated by Russians.

Another example, across the Red Sea from Jeddah, was Sudan, which was led in the 1970s and early

1980s by a pro-Western govern-ment under President Gaafar Ni-

meiri. The United States was con-

States was barred for nine years ors.

from aiding Angolan rebels led by Jonas Savimbi. Sam Bamieh, an American businessman with ties to

African subcommittee that Moroc-

co trained the Savimbi forces and

the Saudis paid the bill.
Mr. Quandt added: "I think the

udi officials, has told the House

utiry across the Gulf of

val installations on the Red Sea jan than a forest ranger."

In southern Africa, the United May 17, killing 37 American sail-

Alfrican co

his official visit to Australia said it stup of those elements from the was still unclear which South Kore-government and the major opposi-an officials Mr. Sigur would meet, tion party," Mr. Sigur said from but high-level contacts were ex- Sydney.

political unrest, The Associated Press reported.

areas of interest in the Ardennes.

hired to help out in the book stores,

most of which are closed in Decem-

truck to keep up with his orders,

ber and January.

craftsmen.

"We have made that central to Mr. Signr said later Sunday that our policy that we believe the way the United States would press the to broaden the political base in Seoul government to hold open Korea and to move the country elections and resume negotiations toward democracy — which every with opposition leaders to stem the political leader says he supports that they've got to start talking to one another again," he said.

"We've got to have in Korea a Mr. Sigur said his schedule bad reopening of the discussions and not been made final and be was the negotiations between the variistions between the vari- unsure whether he would meet with ous political elements, the leader- opposition leaders while in Seoul.

much money has been pumped into Redu in recent years, but the figure is believed to be substantial. Aside (Continued from Page 1) higher public spending to reduce unemployment. Chile's economy from buying books, tourists and collectors eat at local restaurants, stay at local hotels and visit other grew 5.7 percent last year. Business people are optimistic about the Youths who would normally

have a hard time finding a job are parties that attract most business support are also keeping clear of

Other merchants also prosper. A lumberman has had to buy a larger Francisco Bulnes and Andres Allamand, leaders of National Renovation, a coalition of rightist and a carpenter said that he stopped by Redu whenever he needed work. parties that have consistently backed the military regime, said a

> "That would be an all-or-nothing flip of the coin," said Mr. Bulnes, a former senator. "If Pinochet loses, and I think he will, the defeat would be for the armed forces, which could be caustroph-

proposals for using that surplus several art studies to be rented to One example was Somalia, a Mr. Anselot and Mr. Alexandre poor but strategically important admit that Redu's metamorphosis ability of the center-left opposition poses certain dangers. The on- parties to mount a national camslaught of visitors could alter the paign that mobilizes a "no" vote. find a platform, but the candidates fabric of life in Redu, and its farmtion drive, which reached a million say,"

ver worked. The money "allowed But certain changes are inevita-Somalia to get away from its de-ble. Mr. Alexandre, who does his Christian Democrats. pendency on the Soviet Union," an forestry work during the week and administration official said, and to-day, the United States occupies nasure. Now I feel more like a librariets, "and if there is fraud, there will be violence."

nic outlook.

Now the town, which is about 80 desirable and although the rest miles (125 kilometers) south of Brussels, is branching out, trying to become a cultural center for south-Saudis complied.

With the vast increase in oil dozen French-language authors prices in the mid-1970s, the Saudi were in Redu for a literary conferireasury overflowed, and American ence. The town also plans to build

ing roots could get lost in the shuf-

last week.
"We can beat the dictatorship "We are against all types of raw tourism," says Mr. Anselot. "We with its own rules if we get to want to keep the village's rural work," said Adolfo Zaldivar, a eader of a militant wing of the

### dent nuclear deterrence. CHILE: **Opposition Widens**

General Pinochet's campaign to be the sole candidate in the plebiscite.

out of eight million potential voters

But the conservative political

Pinochet candidaey would be un-

it is ready in consultation with its side by side," he said.

In general, West German mili- deterrence, and our vital inter tary and strategic analysts do not do not stop at the Rhine."

many in place of the medium-range

France could not extend a nuclear

FORCE: Cooperation Considered

(Continued from Page 1) see the French nuclear deterrent as withdrawal from the alliance's milian adequate replacement for the U.S. nuclear and conventional

indrawar from the rest of the Relation and French nuclear Plan Relation of the Relation and French nuclear The Relation and French nuclear The Relation of the on the suggestion:
"You cannot speak of a joint forces are credible only for detercommand until four know which ring a nuclear and just possibly a forces have to be commanded," he major conventional attack against said. the territory of these countries," Mr. Mitterrand again made it Christoph Bertram, a former direc-clear Sunday that Prance would tor of the International Institute. not rejoin NATO's integrated com- for Strategic Studies, wrote in the mand, from which de Ganlie with- current edition of Foreign Affairs, drew in 1966 to pursue an indepen- Because of their minimal size they dent defense policy centered on cannot be expected to provide ex-

nuclear weapons.

In French military thinking, the monnuclear members."

nuclear deterrent is the ultimate

The search for European defense defense of the French homeland; options, in effect, means French-West Germany is a buffer against German options, since an attempt Soviet invasion, to the extent that to revive the Western European French Photon and Hades land- Union as a vehicle for regional debased missiles can reach only as far fense policy is impeded by British as German territory. The French Tears that this would alienate

also have submarine launched mis-Washington.
siles that could reach Soviet territo-France and West Germany have different reasons for getting closer: Laurent Fabins, the former So- For France, it is a way of preventcialist prime minister, suggested ing West German neutralism. For last week that France should ex- West Germany, it is the reassuring tend its nuclear shield to West Ger- feeling of having a hinterland. At present, it cannot even depend on the use of French ports and air space to receive reinforcements in

But some West German officials said that the suggestion was mean-ingless since Mr. Fabius failed to the event of attack. Another spur to closer cooperamake clear whether the French tion is demographic. In West Germany, the pool of draft-age men is , many's eastern border or remain in expected to shrink to 130,000 in the early 1990s, compared with-250,000 today, making it increas under de Gaulle, meanwhile, reject-ed Mr. Pabins's proposal, saying in the National Assembly that the nuingly difficult to maintain adequate

conventional defenses.

Mr. Kohl's call for a combined clear deterrent must remain nation-military unit appeared to be in line al. Mr. Mitterrand said earlier that with a policy designed to bring France as close as possible to the

guarantee, and Mr. Kohl side- NATO planning process.
stepped the issue, saying be did not There already is significant miliwant to interfere in a French inter- tary cooperation between the two The decision by NATO comdozen joint manufacturing protries to accept the "zero-zero op- jects. The two sides have agreed" tion chiminating U.S. and Soviet politically to pool their resources in

mussles with a range greater than the production of a new attack heli-300 miles (500 kilometers) has copter. Louched off a debate about French and West German offi-France's military role in Europe cers already train together and and the credibility of its independent each other's languages. And this fall, 47,000 members of the "The fear of the eventual with French Rapid Reaction Force are drawal of the American missiles scheduled to take part in exercises

shows in a blinding fashion how in West Germany, much our security is dependent on Still, West Germany's attachment of our allies," said a recent ment to the United States and report by the Groupe Renouveau France's nationalistic concept of its Defense, a collection of senior mili- defense will make the transition to tary officers and diplomats close to a European defense "long and dif-the French Democratic Union, one ficult," according to Jean-Pierre of the major partners in the coali- Chevens ment, a former French intion government.

dustry and concernor minuser who

"Let's stop bearing about the is now a leading spokesman for the dustry and education minister who

bush," the report said. France Socialist Party.
"must say loud and clear that its The two countries frequently defense starts on the Elbe and that murch "back to back rather than

allies to enlarge its strategic concept toward the front line."

Nevertheless, he wrote last week
in Le Monde: "France and GermaNy are in the same boat. It's time,
vately criticize the French for overfor the Europeans to decide their reliance on the nuclear determint own defense for themselves. They while neglecting conventional de lawe the means. Only the will in tenses. Most of the French proops musting. This real mission of the in West Germany are in the pear, French strategic nuclear force is to and most of their traits date from guarantee peace and stability in the 1960s, one military expert said. Europe, Peace is achieved through

# The chance of defeating General Pinochet in the plebiscite lies in the VOTE: Soviet Voter Experiments

Another innovation this year

protects a dissenting voter from being singled out before election officials. Previously, the curtained booth for those who wanted to cross off the candidate's name and - Miss Zuikova cautioned against write in another or add comments on the ballot was to the side of the voting area. The voter had to set himself spart from the flow by walking to the house. . "The regime can't win a clean on the ballot was to the side of the walking to the booth.

booth on their way to the ballot box.

ed to walk through the curt

"Psychologically, it is completely different," Miss Znikova said, although she noted that some voters still insisted on bypassing the booth and dropping their untouched ballot in the box.

against them, but these people have This year, all voters were encour- proven their worthiness.

# GULF: U.S. Aide Reports East-West Effort to Devise a Peace Plan

cerned about Sudanese insurgents sympathetic to Colonel Moammar Gadhafi, the Libyan leader. "We encouraged the Saudis to Saturday as the Maltese-registered help Nimeiri." Mr. Atherton said. Tenacity, believed to be part of a "He didn't even have enough mon-ey to import food, and we felt Con-transport oil from its main refinery

gress would not be sympathetic to any large foreign aid bill." With saudi help, the Nimeiri government survived for several more track of large foreign and bill. It was the first strike by either track or lean since an Iraqi jet fired two missiles, apparently by mistake, into the U.S. frigate Stark on May 17 thilling 27 American or May 17 thilling 27 American or many fermions.

(Continued from Page 1)

Several ships have been damaged part of a plan to "pave the way for tanker, The New York Times to since then by mines. The United America's presence in the region."

The stricken ship was identified from Kirwait, has announced plans

Several ships have been damaged part of a plan to "pave the way for the three panel headed by a rear admiral for the three, but the navy did not confirm this. Defense Secretary

supplies.
In Iran, Prime Minister Mir Hussein Moussavi was quoted by Tehran radio as saying the Iraqi attack
was carried out "with the help of facilities provided by Kuwait" as

Post reported.

Captain Brindel was ordered to the Atlantic Fleet's surface force in Friday as saying that an investigat-

from Kuwait, has announced punts
to put half of Kuwait's 22-tanker
oil flect under the U.S. flag, prothat the captain, executive officer
and tactical action officer of the

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confirm this. Defense Secretary Caspar W. Weinberger will have the final say on any courts-martial. The officers are Captain Glenn The Iraqi communique said frigate Stark were relieved of their R. Brindel, 43, the skipper since Baghdad would continue to strike commands because of dissatisfacat Iran's economy, particularly oil tion with their performance when mander Raymond Gajan Jr., 35, supplies. the executive officer; and Lieuten-ant Basil E. Moncrief, 32, the tactifighter-bomber that fired two mis-ant Basil E. Monor siles into the ship, The Washington cal action officer.

ESCORTS & GUIDES

TITLE	SALARY	EMPLOYER
SECURITY MANAGER EUROPE		Major Int'l High Technology Company
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#### USA & WORLDWIDE Saudis were involved in supporting Savimbi in Angola. That was not for their reasons, but for our rea-- Head office in New York 330 W. 566 St. N.Y.C. 10019 USA 212-765-7896 The subcommittee has tentative 212-765-7754 ly scheduled hearings for early July to explore whether the Saudi funds MAJOR CREDIT CARDS AND CHECKS ACCEPTED Private Memberships Available were used to skirt U.S. law. The Saudi ability to finance for-eign policy efforts promoted by Washington has declined recently LONDON with the slump in oil prices, but as Portman Escort Agency the payment to the Nicaraguan 67 Chillern Sheet, London W1 Tal: 486 3724 or 486 1158 All major crade cards careginal contras demonstrates, Riyadh remains willing to provide cash at key The relationship has clearly been strained by recent incidents: the LONDON American failure to provide arms KENSINGTON the Saudis want and the Saudi re-BICORT SERVICE 10 KENSINGTON CHURCH ST, W TEL: 937 9136 OR 937 9133 All major craft strets excepted fusal to intercept an Iraqi plane that had attacked the U.S. frigate

Stark. "It's not the best of all possible worlds," Mr. Atherton said, "But it could be worse, and the Sandis keep it from being worse. We just shouldn't expect too much from

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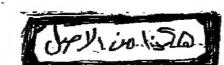
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# Tokyo: Money's New Capital

# IN THE NEWS

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Dec. 1, 1986: Japanese Launch Offshore Banking Tokyo's offshore banking market is given the green light, bound by strict operating lim-its and high tax rates.

March 2, 1987: Stock Prices Reach a Record High

Declining interest rates brought on by a discount-rate cut by the Bank of Japan, the fifth in 13 months, sends the Nikkei stock average to another record high. This year, the Tokyo Stock Exchange became the world's biggest in terms of share value.

May 22: Overseas Trading Of Futures/Options Starts The government lifts a ban on overseas trading of futures and options by major financial institutions.

June 4: Timetable Is Set To Open Financial Markets The Finance Ministry announces a timetable for further opening of its financial mar-kets, including plans to allow more for-eigners to join the Tokyo Stock Exchange and to underwrite more government

June 9: Futures Contracts Offered on Basket of Stocks The first attempt at stock-futures trading since 1945 starts in Japan. Contracts are based on a basket of 50 shares on the



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# IN THIS REPORT

## **Euroven Growth**

With the collapse of the Eurodollar FRN market this year, yen deals are expected to increase further.

## Futures Comeback 11

Changing attitudes at the Finance Ministry help expand the range of financial futures and options markets.

## Urban Spread

A futuristic vision of the capital is taking shape as architects and planners put the unus-

# The Economy

The bulk of a \$42 billion spending package to revive the economy is going to public works and housing finance.

# The huge disparity in access and role has led to bad feelings between governments. WALL ST.

Creditor to the World

# Soaring Trade and Yen Nourish a Financial Giant

By John Burgess

OKYO — The waves of TVs and Toyotas arriving in foreign ports in recent years kept the world well informed of Japan's rapid development as a class-of-its-own manufacturer. But until recently, few people abroad knew that another sector of the Japanese economy was advancing with almost equally unstoppable momentum, its banks and securities houses. Suddenly, the world finds that its four largest banks are

Japan's four largest. So, too, for the four largest securities firms. The market value of the Japanese companies listed on the Tokyo Stock Exchange is now on a par with those of New York. Japan is the world's largest creditor nation, with \$180 billion in foreign assets at the end of 1986 and the ledger is growing daily.

So it was that the chairman of Bankamerica Corp., A.W.

Clausen, was calling in bank offices in Tokyo early this month. He was in search of new capital for his ailing institution, which not so long ago reigned from California as the world's largest and most prosperous. He was in the right place. The Japanese like to turn magnanimous when former seniors fall on hard times, and there is plenty of

Some of Japan's current financial clout came effortlessly, due to the drustic rise of the yen since 1985. This marked up balance sheet figures as expressed in dollars by more than 70 percent. But even without that help, Japan's banks

seemed certain to rewrite the rules by which money flows in the world. Financial power goes hand in hand with indus-

Today, old talk of Tokyo as a financial center to rival New York and London is finally coming true. This is so even though Tokyo remains a daunting environment of heavy regulation and sky-high operating costs —\$10,000 a month rent for an executive's apartment is common. It is also true even though Japanese markets are well behind New York's and London's in sophistication and variety of instruments offered. Like it or not, the business is here. The Japanese are opening the doors and foreigners are rushing in to take part.

The influx has been most marked for securities houses. At the end of 1984, there were 10 foreign securities firms licensed here. Now there are 36. The Japanese announced earlier this mouth that 10 more companies will be getting licenses soon. In addition, nine foreign trust banks have set up for business handling Japanese pension and corporate

The arrival of newcomers, however, is a trickle compared to the Japanese going overseas. Japanese securities houses are now major players in the New York markets, with two of them, Nomura and Daiwa, functioning as primary dealers and the Industrial Bank of Japan doing so indirectly through ownership of Aubrey G. Lanston & Co. Many of the major banks have bought all or a major piece of an

At the end of 1985, Japanese banks accounted for about a quarter of all international commercial lending. That share has grown substantially since then. Although they remain in the shadows in debt negotiations, leaving leadership to the Americans and Europeans, they are gradually becoming more confident in their role.

Japan is expanding its capitalization in the World Bank and has promised to recycle about \$30 billion more to Third World countries.

The banks grew to their present strength under the same type of protection and government guidance that was used so successfully to develop manufacturing. The Ministry of Finance carved up the market into sharply defined sectors and assigned groups to each — long-term credit banks, trust banks, large "city" banks, investment banks. Foreign banks were kept out of most of the business, except where their presence was unavoidable or helpful.

egulation was eased in the 1970s as the Japanese players gained strength and experience to com-pete with the world and with each other. By the end of 1980, the government had retired most of the strict exchange controls. Money was free to come and

In the next few years, access to the financial markets here became a focus of trade tension. The United States wanted in and began pushing. But Ministry of Finance bureaucrats were reluctant. Why monkey with a system that had produced so successfully what every industrial economy wants

from its banks (and so few in recent years have been getting), namely, low-cost capital?

The ministry faced pressure from within, too. Japanese banks by now had outgrown many of the old controls. They wanted freedom to expand abroad and take part in markets that Japan had never developed.

Out of all this grew a 1984 document known as the "yendollar agreement," which was signed with the United States. It laid out a timetable to deregulate (to a degree) Japan's financial markets, "internationalize" the yen and end interest rate ceilings. It has been slow going: About 70 percent of all deposits are still in regulated accounts.

American pressure also helped open the long-locked doors of the Tokyo Stock Exchange. In February 1986. after years of apologizing that it simply had no room for new members, foreign or Japanese, the exchange took in six

Symbolic of the opening is the floor's lone foreign trading clerk, an American named Brian Kelly. He speaks Japanese and a language that even fewer foreigners have mastered, the complex hand signals by which buy and sell orders are conveyed in the heat of trading.

From the visitors gallery, it is easy to lose him in the sea of Japanese faces. That is the state of affairs with foreign

companies in general, as Japan's doors generally open only when the market is nailed down by domestic giants. "Fighting for 10ths of a decimal point" of market share

Continued on page 8

# Investors Wonder: Will Japanese Buy Wall Street?

By Leslie Wayne

EW YORK - Wall Street has long been home to brokers and investors of all nations. But no single country has moved faster to expand its presence in America's financial capital than Japan.

Japanese brokerage houses are beefing up their operations here. Japanese institutions are buying into American investment banks and Japanese capital continues to flow into the equity and bond markets.

Many of the Japanese moves have been stunning: for instance, Sumitomo Bank's \$500 million purchase of an equity stake in Goldman Sachs & Co., one of the few remaining partnerships on Wall Street, or Nippon Life Insurance Co.'s 13 percent purchase of Shearson Lehman Brothers.

But, on a daily basis, the Japanese presence has been growing in ways that often do not capture headlines:  Japanese firms have grown at a rapid-fire pace. Nomura's New York office, for instance, doubled in size last year to nearly 400 employees and other firms are growing at the same rate. This comes as firms branch into new areas of investment banking, including the secondary trading of debt and corporate and municipal finance underwritings. In the commercial bank arens, Japanese banks are the biggest of the foreign players in the United States.

 Japanese are major owners of U.S. government securities. About \$64 billion of government debt is held by Japanese and last December, two of Japan's Big Four on Wall Street — Nomura and Daiwa - were granted primary dealer status by the Federal Reserve Bank. Another primary dealer, Aubrey G. Lanston & Co., was acquired by a subsidiary of the Industrial Bank of Japan at the same time. Fears that troubled trade relations between the United States and Japan as well as turmoil in the foreign exSome brokers paint a doomsday scenario of the Japanese gaining control of the U.S. financial markets.

change markets might slow down this ent were proved unfounded when the Japanese, once again, emerged as big players in the \$25 billion Treasury financing in May.

• Japanese purchases of American

stocks continues to grow, with net equity purchases by all Japanese firms reaching \$5.6 billion last year. With the yen strengthening against the dollar, Nomura estimates this should swell to \$16 billion this year.

 Japanese have taken title to some of Manhattan's most prestigious real estate. A \$6 billion spending spree last year netted the Exxon Building. ABC headquarters and the Tiffany building as well as a half interest in Benjamin V. Lambert's Eastdil Real-

investment banks. Top talent from Wall Street and the Fed has been lured to Japanese firms. Stephen H. Axilrod, a former Fed economist and once the central bank's second most powerful figure. is now vice chairman of Nikko's American operation, while Scott Par-dee, formerly head of foreign exchange at the Fed, is now at Yamai-

Indeed, many feel it will not be long before the Japanese are major players in every corner of Wall Street. The Japanese know what they want to get involved in - everything," said Robert Brusca, chief economist at Nikko Securities and a former Fed official. William N. Griggs, a New York-based consultant to Japanese firms, added, "The Japanese are a new player who will be important in all areas that seem profitable bonds, stocks and investment bank-

This, of course, has many worried. Some on Wall Street fear a shift in ty, one of the nation's first real estate global financial dominance from New York to Tokyo, while others complain about the limited access to Tokyo's markets. And still others

simply fear the new competition.
"Fear on Wall Street? You're darned right there's fear," said Perrin Long, an analyst with Lipper Analytical Services. "Most managements say they welcome the increased competition. But underneath, they are quite concerned."

The Japanese came to Wall Street nearly 20 years ago — "We're not Johnny-come-lately's," said Paul H. Aron, vice chairman of Daiwa Securities of America, which, with Nikko, Nomura and Yamaichi make up the Big Four. Yet only recently has their financial clout become apparent. It is an outgrowth of several factors: Japan's traditionally high personal savings rate, a trade surplus that continues to widen and the limited number of investments available in Japan.

The Japanese presence on Wall Street is the financial counterpart of their trade surpluses," said Richard N. Cooper, a professor of internation-

Continued on page 13

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# Banks, Brokers Split On Liberalization Plan

Special to the IHT

OKYO — Japan's big financial institutions are increasingly becoming like children at a party who cannot decide who will have the first cherry from the top of the cake. They can see enough cherries for everyone but are afraid that their friends might get a bigger, redder cherry than

As Japan's financial markets open wider and the government allows its own banks and securities houses to freely roam the world's money, stock and bond markets, old divisions and jealously guarded rights in the domestic finan-

cial world die hard.

At the root of the problem is Article 65 of the Securities and Exchange Law, which makes a strict division between banking and securities business in the same way as its role model, the Glass-Steagall Act in the United States.

In the controlled Japanese financial markets of the past, such a rule prevented excessive ition and provided profits for all. Yet the concept is increasingly redundant in the markets where boundaries between different financial instruments are becoming increasing-ly blurred, and the concept of the global financial institution, offering all services to all men, is aiready with us.

Japan's major banks and securities firms see this, and want the boundaries lowered. Unfortunately they cannot agree yet how to go about it smoothly. The split of interests is mirrored in the Finance Ministry itself. The ministry's Banking Bureau and Securities Bureau are naturally concerned for the business of their own sectors of responsibility and are backed by powerful banking and securities house lobbies.

The International Financial Bureau gets caught between both sides in its attempts to free up the system and liberalize further to meet the demands of the United States and

Ironically, the bureaucrats have reached an understanding before the bankers and brokers. Ministry officials say that the three bureaus they could allow and who to allow it to.

In the latest June financial liberalization package the ministry announced that it would review further the existing distinctions between the two sides. A senior ministry official made clear, however, that this did not mean Article 65 would be revoked.

Officials have said that Article 65 would not disappear before Glass-Steagall. So far this has allowed the ministry to move ahead steadily in the knowledge that the U.S. act would not be gone soon. However, there has been recent speculation that the U.S. banking laws may be changed sooner than expected to free U.S. financial markets in the same way.

Two examples highlight how liberalization is aggravating the old fights. The first concerns the continuing battle by se banks to enter securities business at home. The banks have always been annoyed at the ministry licensing the securities arms of

European banks but have lived with it because

U.S. banks were barred on grounds that they too had a Glass-Steagall ruling. However, last December the U.S. Federal

Reserve allowed Japan's Daiwa Securities and Nomura Securities to become primary dealers in U.S. government securities. Tokyo faced

immediate U.S. congresssional pressure to provide U.S. banks with the same rights in Japan.

In the June package, the Finance Ministry headed off U.S. threats to withdraw the Normara and Daiwa licenses by inviting four U.S. banks — Morgan Guaranty, Chemical Bank, Manufacturers Hanover and Bankers trust to apply for Japanese securities branch li-censes. By easing U.S. pressure on Daiwa and Nomura, the ministry inevitably escalated the old fight at home, Japanese bankers say.

The June package also included plans to establish a commercial paper (CP) market, following industry's long-standing demands for better access to raising short-term funds, and calls from abroad to develop Japan's weak short-term markets.

Both the banks and the securities houses formed separate committees to study how the narket would work.

Further infighting is expected when Japan starts up its first financial futures market over the next year or two. Both sides will be keen to control business in the market.

Yet in some cases, the firms from the same sector cannot agree among themselves, further hindering liberalization plans.

In the banking sector, the three long-term credit banks, the 13 big city banks and the seven trust banks all jealously guard their priv-ileges from each other and from the many gional banks.

Regional banks can now issue bonds convertible into equity but the long-term banks objected to city banks getting the same privi-lege, and the city banks are still barred from

term banks by winning the right to issue long-term mortgage bonds, giving them the ability

to raise long-term money.
In the securities sector, the Tokyo and Osaka Stock exchanges fight for the new business that liberalization can bring. Osaka's establishment of a packaged stock futures contract on June 9 was an attempt to head off Tokyo's institution of the country's first full stock index futures contract, probably next year when the Securities Transaction Law is passed.

But internal squabbles apart, liberalization is allowing Japanese financial firms deeper and deeper into the world markets, the bankers and brokers said. The huge size of the main firms and their ability to raise or place capital makes them almost unbeatable in a totally liberalized market place. Nomura is about 10 times the size of its nearest British rival. Seven of the world's top 10 banks by deposit base are Japanese. Perhaps the biggest compliment to the power of the Japanese institutions is the latest U.S. rumor, reportedly begun by the New York Times and denied by the administration, that several U.S. superbanks should be created to effectively compete with the Japanese.



fact that the appreciation of the yen against the dollar has attracted investors, it is the Euroyen market that facilitated this growth.

# Further Growth Seen for Euroyen Market

ONDON - The growth of the Euroyen market has been nothing less than explosive. In 1983, a mere 70 billion yen of new issues were launched. In 1986, new-issue volume had soured to nearly 3 trillion yen, or roughly \$19.35 billion, taking 155 yen to the dollar as an average rate over the year, and the total for 1987 to the end of May

year, and the total for 1987 to the end of May had already reached over 2 trillion.

Last year, yen financing accounted for some 10.75 percent of all Eurobond new issues and U.S. dollar-denominated funding was pushed below the 35 percent mark — a historical low.

"The Swiss investor is no longer a mainstay of the Euroyen market," said Bill Grant, head of foreign currency bond trading at Citicorp Investment Bank in London. "We're seeing more and more interest from the investor base in the U.K., for example. Some of the more conservative pension funds are becoming gware of the yen market."

With the virtual collapse of the Eurodollar floating rate note market this year and a marked slowdown in the pace of fixed-rate Eurodollar new issues, the proportion of yen deals should increase further this year.

Apart from the obvious fact that the appreciation of the yen against the dollar has attracted investors to the market, it has been the steady liberalization of the Euroyen market that has facilitated this growth. In the spring of 1986, the Japanese Ministry of Finance allowed an increase in the proportion of the assets Japanese life insurance companies could hold in oversess securities from 10 percent to 30 percent. The eligibility standards for prospective Euroyen bond issuers have gradually

entity with a single-A rating can issue and any private sector company with the same rating meeting a scale of capital ratio standards can

sue structure has also been gradually accepted.
And, as much as anything else, it has been the
opportunities available with the development the interest rate swaps enabling borrowers to exchange their yen for dollar liabilities that has encouraged a wide variety of borrowers to

With the success of the Euroyen market has come the ascendancy of the Japanese securities houses' London subsidiaries in the Eurobond lead management league tables. Largely due to its Euroyen bond lead managements, Nomura International has this year become the new giant of the Eurobond market, capturing a market share of around 13 percent as of the beginning of June, more than twice the share of its nearest rival, the once pre-eminent Credit Suisse-First Boston. That figure does not in-

But there are signs that the pace of growth in the Europen market has slowed. During May this year only 219 billion yen of new deals came to the market, a marked decline from April's 580 billion yea.

"The reason was that the swap window closed," said Nubuo Fambashi, an associate director at Nomura Securities. "Most recent issues have been lead-managed by Japanese banks because they can offer out-of-the-mar-ket swaps. They have the natural yen cash flows to do that." In other words, the cost of

paying dollars on the interest rate swaps in-volved in generating new Euroyen bond issues has simply become too expensive for the Japanese counterparties to such swaps.

Mesnwhile, since March, Euroyen bond yields have ceased to track Japanese government bond yields. While the latter have continment oond yields. While the latter have continued a steady path of decline, secondary market Euroyen yields have proved extremely volatile. For example, at the beginning of this year there was a less than 200 basis point differential between Euroyen bonds and U.S. Treasury bonds. During May, this widened to as much as 600 basis points and by the beginning of time it had only narrowed to 400 basis points. (A basis point is a hundredth of a percent, or 0.01%.)

The reason for this is that Japanese government bonds, with their high liquidity, have proved the most natural home for disinvestors of the dollar, while the Euroyen market has been the focus of high-turnover switching activity, especially by the non-Japanese houses involved in the market. This, in turn, is linked with the satiation of many Japanese investors' appetites for Euroyen instruments in the wake of the glut of new offerings earlier in the year and a sense in the market that the dollar might have hit its low point against other currencies.

According to Ryonosuke Miyoshi, an executive director at Daiwa Europe, "There have been large recent issues for Canada and Sweden, which have helped the primaryl market recover a little. But it's difficult to envisage the lange activity we saw at the beginning of this year coming back over the next few months."

dollar would, however, encourage a spate of new Euroyen issues, Mr. Miyoshi pointed out, and the introduction of a Japanese government futures contract to the London International-Financial Futures Exchange scheduled for the week beginning July 13 will improve the opportunities for hedging Euroyen band positions. The introduction of a yen Eurocommes. cial paper market, for short-term yen corporate securities, should also further deepen the pool of demand for yen paper among investors later

But the fact is that the yen has become, albeit very rapidly, an established Euromarket sector, and nowadays that means sharply distinguished periods of feast and famine as in-vestors change their allegiances overnight on a currency basis.

Apart from such market considerations, there are also signs that the Japanese authorities and financial institutions would like to see some of the greatly expanded international. market for yen instruments repatriated to To-kyo, which has seen its "samurai" sector for foreign yen bond issuers in the domestic Japanese market almost completely destroyed by the cost-effectiveness and greater efficiency of

In March, the World Bank pioneered a new instrument: the "daimyo" bond, or a yen issue launched in the Tokyo market that can be cleared by Cedel and Euroclear, the two major Euromarket clearing houses. Some of the ma-jor Japanese securities houses are also advocating the registration of Euroyen bonds for sale direct into the Tokyo market, avoiding the 90-

# Trade Success Nourished Financial Giant

Continued from page 7

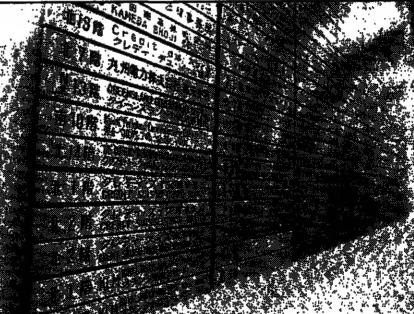
is how one foreign banker describes what is going on. Foreign firms' role in the stock exchange is believed to be in the 1 percent to 2 percent range. The foreign trust banks have managed to capture about 0.7 percent of the tions is hardly even measurable.

The point is that Japan now has so enormous a financial rood that even with shares like these outsiders can make money. The stock, bond and foreign exchange markets are booming, nelped on by Tokyo's spot on the globe as open when New York and London are closed.

There is big business to be done, with the Japanese buying billions of dollars every month in Treasury and private securities in the United States - \$13 billion in long-term net outflow in April alone.

The local subsidiary of the New York firm Salomon Brothers has led the way for foreigners in equity size, pumping in \$300 million of capital to become the lifth largest investment bank in Japan. Although it has little hope of becoming more than a bit player in the Japa-nese market, it is not worried. For the present, said one executive there, the main constrain on business is finding qualified people.

The huge disparity in access and role has led to bad feelings between governments. Earlier this year, Britain threatened to clamp down on Japanese banks doing business in London if it



Foreigners are rushing in to take part in Tokyo's markets.

did not get its way on other trade issues. But it — are big in foreign markets in large part because later modified the threat, realizing it would be those markets need Japan's business,

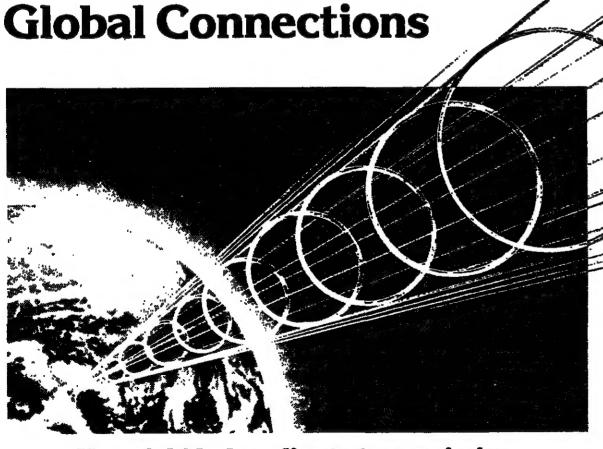
guarding of its own turf has been, the Japanese

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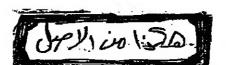
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# U.S. Treasuries Take Lead in Diversity of Instruments Being Traded

Given the sheer size and power of its institutions, disputes over deregulation in Japan seem petty.

By Brian Robins

OKYO — Deregulation of Japan's financial sector has brought with it basic changes to domestic and international capital markets as the recycling of its trade surplus has put Japanese financial institutions in the ascendant.

Given the sheer size and power of its institutions, the frequent disputes with foreign governments over deregulation in Japan seem petty, particularly in light of the access that Japanese groups have to international markets. With the rise of Japan as an international finance center, there is a diversity of instru-

ments being actively traded, the most notable being U.S. Treasury Bills.

With all the attention paid to the boom in Japan's stock markets and the start-up of trading in domestic futures contracts, the burgeoning trading in U.S. Treasuries in Tokyo has good all but unnoticed.

Following the sizable investment by Ispanese institutions in U.S. Treasuries in recent years, trading in Tokyo has grown rapidly, with a large number of foreign investment banks actively working to further develop the

market.

Accurate figures are difficult to come by, although it is estimated that turnover now exceeds \$5 billion on an active day, with an average of around \$2 billion in a normal day's

"Total trading in U.S. government bonds, including repurchase agreements, reached \$173 billion in April," according to Shichiro Harrori, deputy general manager of the foreign bond department at Daiwa Securities, "On average trading is between \$1 billion and \$2 billion a day.

"Two way trading has developed travered."

"Two-way trading has developed tremendously. On a net purchase basis of foreign bonds, it has doubled every year, and trading volume has grown more than 10 times every year. Of the two-way trading, 90 percent is U.S. Treasury Securities."

The natural development of the trading in U.S. Treasuries in Tokyo is indicative of the growing importance of Tokyo as a regional—and global—financial center, although residual difficulties remain, especially in terms of access for foreign financial institutions.

and global — imancial center, atmongh reachal difficulties remain, especially in terms of
access for foreign financial institutions.
Recycling Japan's burgeoning trade surplus
has naturally thrown the spotlight on Japan's
financial system, as well as highlighting the
enormous power of Japanese financial institutions and investors in world capital markets.
The rapid growth in the U.S. Treasuries
market in Tokyo points to the increasing influence of Japanese investors in key financial
markets worldwide.

Equally, the attitude of Japanese investors to U.S. Treasuries plays an important part in the bidding process, and suggestions that Japanese institutions intend cold-shouldering an auction can have a material influence on tender prices.

In many respects, developments in trading in U.S. Treasuries in Tokyo have mirrored both the growing sophistication of Japanese investors and also their extreme dislike of any hint of currency instability. Currency uncer-

Top Eurobond Bookrunners
(1987 issues to June 16)

	In \$ U.S. bil.	No. of
Nomura International	10.12	70
Credit Suice First Boston	4.84	44
Deutsche Bank Capital Markets	4.31	41
Dayer for ope Ltd.	4.14	41
Yamaichi International (Europe)	3.95	40
Nikko Sepurines Co. (Europe)	3.47	· 28
SG Warburg Securities	2.84	28
Statemen Brothers International	2.80	23
Banque Paribas Capital Markets	2.65	24
Morgon Stanley International	2.64	21

tainty has the death new investment in U.S. Treasuries along with secondary market trading in Tokyo over the past 12 months.

ing in Tokyo over the past 12 months.

With declining yields in U.S. government paper, there was an increase in investment in higher yielding U.S. paper, such as corporate bonds, with a gradual spillover into equity

More recently, against the backdrop of the falling dollar, Japanese investors largely ignored U.S. paper, preferring to opt for non-dollar paper, particularly U.K. gilts.

"With the decline of the U.S. dollar, Japa-

nese investors refrained from participating in U.S. dollar-denominated issues," Mr. Hattori explained.

"As a result, some funds flowed into gilts and German mark instruments. But in late May, sentiment changed again, with a switchback to U.S. securities after an improvement in the outlook, and the trending down of the commodities index. So, if we feel interest rates are declining, we will move back in.

"With U.K. gilts, no one will offer/bid £100 million (\$167 million) (in Tokyo). But with

U.S. Treasuries, any number of market makers

"What we've seen over the past 12 months is increased participation by secondary players, the second-level securities houses," said John McGivney of Smith Barney Harris Upham

"But with the market quieter overall, in the absence of any news you'd go to New York with your position. In that sense, a lot of the regular daily trading has gone back to New York."

Trading activity in U.S. Treasuries in Tokyo has mirrored the changing pattern of investment in offshore paper by Japanese investors, while access by foreign brokers to the market in Japanese government paper reflected many of the continuing difficulties of foreign institutions in getting full reciprocal access to Japan's financial markets.

Following sustained pressure, some ground was given earlier this year with the decision to boost the overall participation of foreign houses in Japan's government bond underwriting spadients.

From the earlier level of only 1.19 percent of each new issue for all foreign brokers, it was agreed to boost their total share to 5.725 per-

At present, the Ministry of Finance operates a dual system for issuing government bonds. In broad terms, it uses a tender system for short-term issues, usually of three or five years' duration, with a fixed syndication system for the much larger volume of 10- and 20-year

government paper.
Under the fixed syndication system, the government severely limited the participation of foreign houses.

Government officials have repeatedly said that the reason they prefer the fixed syndicate, is to ensure that the large volume of government bonds can be readily absorbed, irrespective of market conditions.

If all government bonds were issued by tender, this could create deficit funding difficulties, the Ministry of Finance says, especially when interest rates are trending upward.

when interest rates are trending upward.

But with the growing participation of Japanese financial groups in the U.S. primary market, with three Japanese groups holding primary dealers licenses, pressure has mounted for foreign brokers to get a larger share of the new

foreign brokers to get a larger share of the new issues market for government debt in Japan.

Limited progress has been achieved, with the underwriting syndicate agreeing, at the behest of the Ministry of Finance, to reweight the syndicate alightly to give foreign securities houses a larger share of the pie.

In addition, the ministry has agreed to put a limited amount — 20 percent — of 10-year bonds up for tender, instead of the former syndication system, in a bid to circumvent some of the present opposition.

Already, in the auctions for short-dated government debt, the bidding by foreign bouses has been active, with Salomon Brothers bidding for 40 percent of the total in one tender alone, and the number of times when Japan's dominant top four securities houses have been knocked out of the main positions in the tenders is rising.

The bulk of the government's bond issuing program is in long term — 10- and 20-year paper — with a comparatively modest amount of shorter-term three- and five-year bonds issued each year.

The other fundamental area where the Ministry of Finance has given ground is in allowing foreign banks to establish securities branches in Tokyo, Earlier, a limited number of European banks were granted the privilege, with some U.S. banks also now allowed to follow suit. By permitting foreign banks into the securities sector — banking and securities industries are still kept apart, as is the case in the United States — the authorities have created a situation where it is only a matter of time before they give further ground and allow a watering down of the lines of demarcation between Japan's big banks and securities houses.

# Savings, Surplus Help to Sustain Capital Flows

Special to the IHT

Okyo — It has become commonplace to view. Tokyo as the third leg of the tripod that supports the world's rapidly developing global marketplace. No other city can provide both the critical Asian time link between New York and London and an economic hinterland big enough to sustain the huge capital flows off which the modern markets feed.

Latest statistics, combining London national market and the London Euromarket, show that in the 1980s, Tokyo has grown at an

Major barriers to full financial freedom remain.

everage annual rate of 18.3 per-

The fact that Japan has the world's second largest gross national product, one of the highest favings rates and a massive cursent account surplus is also helping turn Tokyo into a key supplier of long-term capital for the world.

Significantly, Bank of Tokyo research shows that an average annual \$44 billion outflow from Tokyo has been funded half by Japanese savings and half by longterm foreign capital parked in Japan.

Such overwhelming liquidity tends to produce rapid results whenever the authorities open another door in the increasingly liberalized Tokyo markets. Last December, despite disap-

Last December, trespite disappointingly high tax rates and strict
control to stop leakage into the
domestic market, Japanese banks
poured surprising amounts of
money into their new accounts in
Tokyo's offshore banking market.
In one month, total assets rose to
over \$115 billion, almost as big as
those of local competitors Hong
Kong and Singapore, and about
half the size of New York's, although well behind London's \$750
billion.

However, major barriers to full capital flow and freedom of financial action remain. The problem of financial liberalization in Japan is probably entering an important

new phase.

Like the argument over the huge Japanese trade surplus, the arguments over Japan's highly regulated financial markets have tended to be characterized as a fight by the United States and, to a lesser degree, Europe to force the Japanese Finance Ministry to liberalize

its policies.

In some markets, such as the stock market, the most vocal complainers are foreign froms. The Tokyo Stock Exchange, even if it adds a few more foreign brokerage seats next May, will have only around a dozen. This is far too few to merit serious consideration as a full partner with Wall Street and the recently revitalized London Stock Exchange in the rapidly ap-

pearing 24-hour trading of major corporations' stocks, foreign bro-

But as Japanese companies and financial institutions have become global powers and market movers in their own right, pressure is coming increasingly from within Japan

ing increasingly from within Japan for faster change.

The atmouncement this month that a commercial paper market will be created was largely due to strong pressure from Japanese companies for wider access to rais-

ing short-term capital.

Central to the whole liberalization theme is the management of
the government's own debt, which
is now valued at around \$1 trillion.
Funding the state debt in Japan is
still a relatively rigid process. Each
year, the Finance Ministry sets a
funding target that it must meet.
To guarantee that any bonds it
issues are taken up, it negotiates
and agrees on monthly terms with
a syndicate of major Japanese institutions, now including several
foreign firms that are allowed a
tiny proportion of each issue.

tiny proportion of each issue.

The ministry has gone quite a way to freeing up the system by creating a semi-auction for over 50 percent of the boads it issues. The ministry says that Japan's closed one-year budget system, which legally prevents it from issuing boads to fund spending outside the current budget year, makes it impractical to introduce the full price auction system that its critics say would open the market to U.S. and European buyers and ultimately reduce the cost of funding to the government.

Shoichi Royama, an economist, goes further. He says that the authorities will never be able to smoothly manage their own accounts and to handle the increasingly internationalized yen markets without a fully developed treasury bill market.

Such a high-grade, short-term government paper market would provide an essential tool to fine tune the capital markets without relying too heavily on interest rate monetary policy. The current, very limited use of treasury bills is less than useless, he argues, because they carry such low interest that the Bank of Japan ends up holding almost all of them after commercial investors shy away.

On other issues, last year's working paper prepared by the Institute of Foreign Bankers in Tokyo still provides an essential summary of the outstanding problems.

The bankers' main complaint is

their very limited access to yen funding. To solve this, they have called for a fully liberalized yen interbank market, comparable to the New York Fed funds market, or the London Eurodollar market.

Interest rates on deposits should be deregulated down to an amount of 10 million yen (550.440), they read Otherwise.

amount of 10 million yen (\$69,444), they said. Otherwise, Japanese banks retain an unfair advantage in attracting cheap deposits.

The Bank of Japan should be

allowed to become a lender of last tesort and a provider of liquidity

to foreign banks, and existing lim-

ited discount facilities should be much broader.

The yen must be fully internationalized and barriers between yen funding in domestic and overseas markets totally removed, they said. A significant reflection of the domestic difficulties related to this is that Japanese firms still prefer to raise the bulk of their funds

total of over \$50 billion last year.

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TOSHIBA

# Oreign Traders Reconsider Tokyo Bourse

By Andrew Horvat

OKYO - Less than three months ago, it looked as if a trade war of British brokerages with seats on the Towe don't get what we want on access to the stock exchange, we shall use our reciprocity

Americans, though less vocal than the British, were known to be equally dissatis-fied with the difficulties faced by foreign firms wishing to get on the 93-member exchange. At present, there are six foreign brokerages with memberships on the Tokyo exchange: Mextill Lynch, Morgan Stanley, Goldman Sachs, S.G. Warburg, Vickers da Costa and Javdine Florring Costa and Jardine Fleming.

Last year, the six had to pay the equivalent of \$7 million each for what they were told would be the only time that foreigners would be allowed to enter. A year earlier, the refusal of a Japanese company to sell its membership to Merrill Lynch resulted in accusations of discrimination against for-cigners. The more recent claim by exchange officials that "there is no room" to accommodate foreign traders on the exchange floor has also struck a number of foreigners

A few days before Mr. Howard's departure for Tokyo in March, the British government took the unusual step of putting into effect certain parts of a new financial act several months ahead of schedule in order to allow British officials to withdraw the icenses of financial institutions from counncenses of financial institutions from countries that do not provide equal access to spoke on condition of anonymity, said: "An charge to nonmembers."

'An operation that is successful as a might break out between Britain branch office may not be as profitable 

> giving the impression that they were willing to take action against Japanese banks and insurance companies in order to push their case for more seats on the stock exchange. In the view of Mr. Howard, S.G. Warburg

> was the only pure British brokerage on the Tokyo Stock Exchange. This compared with four Japanese houses with seats in London. The Japanese insisted that Vickers da Costa and Jardine Fleming should also be counted as British, but, according to Mr. Howard, the former was under U.S. control and the latter was a Hong Kong firm.

> But less than three months after Mr. Howard's trip, foreigners seem to have stopped complaining about their inability to become members of the exchange. Some are even having doubts about the real purpose of the trip. At present, foreign brokers in Tokyo are having second thoughts about the importance of exchange membership altogether. Branch-office status is far more profitable, they say.

> You need huge volumes to justify the costs of membership," said a foreign broker, who asked not to be identified by name.

British firms. The British appeared to be operation that is successful as a branch office may not be profitable once the firm gets a seat on the exchange." Indeed, the trading record of one foreign firm admitted to the Tokyo exchange last year has been close to the bottom of the list, suggesting that its activities in Tokyo cannot be too

> To be sure, there are a number of advantages to membership for a foreign firm. Brokers say that for Morgan Stanley, a major player that takes huge trading positions on its own, not having to pay brokerage fees amounts to a major saving. But these same brokers say that the 27 percent commission levied against nonmembers is not too much when measured against the small volume of transactions of many foreign brokerages in Tokyo.

> All the same, brokers point out that it is the huge branch networks of the big four Japanese brokerages — Nomura, Daiwa, Nikko and Yamaichi — that provide them with the solid base to make good commissions. Many smaller firms on the exchange do nothing but trade on behalf of others,

This view appears to be borne out by news reports from London that British offi-cials had been assured by their Japanese counterparts during recent bilateral meetings that three British firms, Schroders, Baring Bros. and Kleinwort Benson, would be

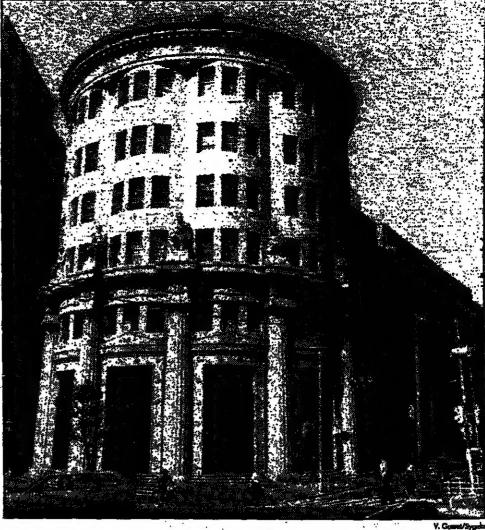
argumed exchange memberships next year.

This has led to speculation that Mr. Howard used the membership issue in order to obtain leverage against Japan in a dispute concerning Cable and Wireless, a British telecommunications company, which was having difficulties in its bid to become part of a consortium aiming to compete against KDD, the Japanese overseas telecommunications monopoly. Although Mr. Howard insisted at the time of his visit that the exchange and the Cable and Wireless issues were not linked, he appeared careful not to be too clear, saying that "the way in which the C&W matter is dealt with will very much affect the climate of relations between our two countries."

Foreign brokers here say that the decision by the Ministry of Finance to accept appliions for securities branch licenses from 10 foreign banks, including the European subsidiaries of four American banks, is far more significant than the prospect of stock exchange memberships for possibly 10 more

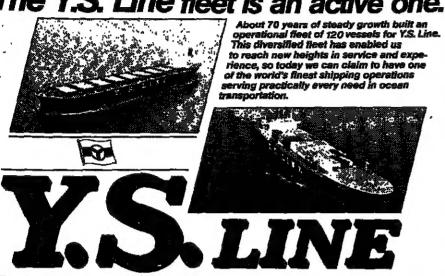
In fact, the announcement in early June raised the possibility of requests by Japa-nese banks to the Ministry of Finance for similar treatment. Far from being discriminated against, the U.S. banks, albeit through their European subsidiaries, will soon be able to trade in securities in Japan, something Japanese banks are not allowed to do, either at home or in the United States.

ANDREW HORVAT is The Independent's



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# Newcomers Weigh Paths to Future Returns

OKYO - For foreign 5nancial institutions in Japan there are two obvious questions: "Am I making a profit?" or "Will I make a profit in the future if I stay long enough and spend enough money

But as Japan's financial markets open further and Japanese institu-tions knock louder on the doors of U.S. and European markets, another and perhaps more important question arises: "Can I afford to stay away?"

ford to stay away — and that means basically all of them seem to have reached two different to look for near-term profit. The banks in their own country, on strategy is to find a suitable area of their own terms.

The major foreign institutions that have decided they cannot af-

For some, the answer has been

their own terms. investment or banking business It is worth remer where they excel, carve a niche among the less-experienced Japaever, that the hard times that have forced the foreign institutions in nese competition and reap a mod- Japan to make such a choice are est but acceptable profit, with the

The main problem of foreign securities firms is that they have been too late.

hope of vast future returns. The nine foreign trust banks operating in Japan are following this strate-

For others, the solution has' been to think in the long term and go for the vast future returns, at the cost of short-term losses if necessary. The example par excellence of this strategy has been Citicomp's aggressive campaign to compete with the big Japanese city

There were no real complaints from foreign securities firms 10 years ago because they were only a handful in Japan. The market-place was considered relatively primitive compared to Wall Street or the European bourses, and the foreign banks were able to make

very healthy profits in Japan. In the early 1970s, the foreign banks were the sole suppliers of foreign exchange to Japan's

booming industry since Japanese banks were forbidden to take part.

banks were forbidden to take part. Returns were very high and only began to slip when the borrowers found new ways of raising capital, mainly through bond issues.

The foreign banks began to complain only in the late 1970s.

The watershed was a change in the foreign exchange law in 1980, which opened this impact loan business to Japanese banks, thereby betaking the foreign harles.

by breaking the foreign banks monopoly and sending annual profits plummeting. By the mid-1980s, perhaps half of the 80 or so foreign banks in Japan were posting losses.
The main problem of foreign

ecurities firms is that they have been too late. In those 10 years, Japan's big four securities firms— Nomura, Daiwa, Nikko and Yamaichi --- grew fat on profits from managing investments in what has become the biggest pool of money

It is also their market and their language. The recent decision of Vickers de Costa to produce bilingual research on the Japanese market, for Japanese investors was unusual Vickers is Citicorp's 50percent owned securities arm in

Ignorance works both ways, bowever, and foreign securities firms offer foreign investors the obvious vehicle to enter Japan while offering Japanese investors the expert knowledge of foreign markets that the Japanese brokers often lack

Such advantages give the securities firms better profit potential than their banking brethren. Profits last year of 12 major foreign securities firms generally rose by multiples of two, three and four. Goldman Sachs was the only one to make a loss. Salomon Brothers !profits were six times higher than

sirly generous interpreta-tion of Japan's new in-vestment advisory law and the Finance Ministry's decision this month to speed up award of investment manage. ment licenses for 17 foreign firms have also encouraged the securi-

The major complaint of the foreign securities firms that they are not allowed enough sexts on the Japanese stock exchanges, by which they mean Tokyo, may have been satisfied for the time being announced that the Tokyo Stock Exchange would add more seats

But, following threats — later modified — of British retalistion. against Japanese firms in London should more seats not appear, it has become clear that perhaps as. dozen or so new foreign and Japanese brokers, including three British houses, will join the six for-signers already trading on the Tokyo exchange by around May.

The foreign bankers may have to wait much longer before Japan can supply them with the fully liberated short-term money markets and interest rates that they say they must have to compet properly. Without such an open market, the Japanese banks retain the tremendous advantage of attracting cheaper deposits, thereby making a much higher margin on

The foreign banks have also been disappointed at the failure of the authorities to lift all taxes from the six-month-old Japanese off-shore banking market. Until they do, they say, it makes little sense for foreigners to hold offshore ac-

In such circumstances, most foreign banks' banking arms sit. back and look to foreign exchange... dealing profits to keep them going,

The six American, two Swiss and one British trust banks, however, have found their niche and are looking to profits in the first two years or so of business in Japan. The prospect of more than \$400 billion of Japanese pension funds ripe for management in 10 years time offers them much hope.

Meanwhile, their experience has given them the ability to offer much better planned returns than Japanese firms, ensuring them of a very viable business, senior managers at the banks say.

And then there is the case of Citicorp. Under the leadership of its chairman, John Reed, Citicorp through its main financial powerbouse Citibank and over a dozen... smaller affiliates and subsidiaries has challenged the domestic retail banking industry head on. As well as its corporate and investment. banking, it offers ordinary Japanese financial services ranging from stocks to credit cards. It is the only foreign bank to offer such. a comprehensive service.

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> Source: Information Development Institute, 1986 "Of banks and companies listed on the Tokyo Stock Exchange

# Big Four Securities Houses Are New Symbols of Economic Strength

Exportdependent manufacturers are putting their funds into the stock market.

By Andrew Horvat

TOKYO -- Until as recently as last year, Toyota, Honda, Sony and Pan-asonic were the symbols of Japan's economic strength. This year, the names by which Japan is known overseas are about to change. The new standard-bearers of Japanese success are Nomira Japanese success are Nomura, Daiwa, Nikko and Yamaichi, this country's Big Four securi-

On March 31, the end of the Japanese fiscal year, Nomura, Japan's largest securities dealer, was poised to overtake Toyota, Japan's largest intomobile maker, as the nation's most profitanisonatione maker, as the nation's most promable company. Nonmra's pre-tax profits came to 242.2 billion yen (about \$1.7 billion), an increase of just under 63 percent over the year before. Daiwa, Nikko and Yamaichi achieved

even greater percentage gains.
The change in the fortunes of both the financial and manufacturing sectors can be traced to Sept. 22, 1985, the day the finance chiefs of the United States, Japan, Britain, France and West

Germany decided in New York to realign ex-change rates. The subsequent boost in the value of the yen made Japanese manufactured exports suddenly less competitive. In order to earn the same amount in yen today as in September 1985, a Japanese manufacturer must charge more than \$1.70 for the same export product he could sell for \$1.00 some 20

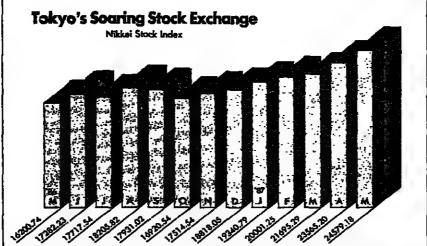
Rather than plow their declining dollar earnings into plant and equipment, Japan's export-dependent manufacturers put their funds into the stock market, where at least they could recoup some of the losses they were taking in

order to maintain market shares overseas.

Five interest-rate cuts, while doing little to stimulate domestic demand, have accelerated the flow of funds into the market by discouraging individuals from putting their savings into bank accounts, some of which were paying barely I percent

Although critics warn that the Tokyo market is overheated and that there is too much money chasing too few stocks, for the average Japanese the zai-tekku (finance-technology) boom has been a bonanza. The value of the Nikkei index of 25 leading stocks has risen by nearly 50 percent in nine months. Thanks to the increase in the value of the yen, the Tokyo Stock Exchange is now the biggest in the world in terms of share values.

The greatest beneficiaries of the zai-tekku boom have been the Big Four securities companies, which together account for 46 percent of all share trading on the exchange. The sud-denly increased dollar value of the funds at the disposal of the Big Four has made them formidable competitors all over the world. Nomura manages some \$237 billion worth of customer assets, while the total share of the other three players comes to more than \$500 billion. All four firms have plans to increase the numbers



into second place in Eurobond managing, just behind Credit Saisse-First Boston. At the same time, the Japanese brokerage nearly quadrupled the profits of its London operation from £15 million to £54 million. The advantages of being the largest securities house in the world were easily apparent two months ago, when British papers warned their government not to target Nomura Securities for reprisals in a trade war brewing between Japan and Britain because, were Nomura to move out of London, it would have taken with it a huge flow of funds, plus the jobs of some 300 British em-

# Ascribing special characteristics to the four giant brokerages is something of a national pastime. The adjectives most often applied to Nomura are "ruthless but talented." of both domestic and foreign branches this **Futures Markets Make a Comeback**

By Brian Robins

OKYO — With the role of Japanese investors pushed to the fore of international capital markets, opportunities within Japan for controlling much of these risks

- -

are remarkably underdeveloped. "There are few ways of easily going short in this market," the head of one foreign securities house in Tokyo said.

Historically, Japan had the first futures market in the world, begin-ning in the late 1700s for farmers to hedge against movements in the price of rice. With the price of rice under government controls, there is no longer any need for such a

The conservatism of the Ministry of Finance has ruled out any development of domestic futures and options markets, at a time when they are needed most by

Japan's big investors. Japan's industry, as the biggest buyers of most commodities worldwide, is unable to adequately hedge its position in domestic commodities markets. Similarly, the range of financial futures or options markets available in North America or Europe have not developed in Japan. But the attitude of the authorities, primarily the Ministry of Finance, is

slowly changing.
Trading in government bond fuka Securities Exchange just opened trading in its new "Stock Futures 50" index earlier this

At the same time, Japan's financial institutions have been given approval to directly trade in financial futures markets oversess, with industrial groups expected to receive approval as well in the not too distant future.

Concern over the investment risks involved, particularly for smaller investors, has resulted in the Ministry of Finance adopting an extremely captious stance to

Now, however, given the signifi-cant liability of Japan's institutional investors to both currency and interest rate risks, it has decid ed to give its big financial institutions a freer hand.

The start of trading in the Osaka Securities Exchange's Stock Futures 50 contract will overcome an unusual anomaly, whereby overseas investors have been able to trade in the Nikkei 225 index in Singapore, punting on future movements of the Tokyo Stock Exchange's dominant index, while investors in Japan have been able only to channel their funds direct-

ly into stocks or bonds. The need for institutional and corporate investors to have access to more sophisticated markets to hedge their exposure lies behind part of the push by the Ministry of Finance to begin opening the doors. Even so, both the government bond futures market and the Osaka Futures 50 contracts specifically provide for physical delivery unless the contract is closed out

before expiry.
In addition, potential players in the new Osaka contract - the Tokyo Stock Exchange will have a Nikkei 225 contract up and running next year - face the hurdle of onerous transaction costs, far greater than involved in gaining access to other markets in overseas

One problem of the Osaka Futures 50 is the fact that it is only a limited basket of underlying equi-ties, unlike the Nikkei 225, which is based on that number of under-

"It is a warped basket since it is not a broad basket tracking the market," Mark Arimura of Salomon Brothers, equity sales and trading said. "Certainly there are us, but it is the only game

Financial institutions can go

Japan's industry, as the biggest buyers of most commodities worldwide, is unable to adequately hedge its position in domestic commodities markets.

offshore, but individual corporations cannot Individual investors will be active as well."

Initially, the participation of foreign groups in the new Osaka contract will be limited, although this is believed to be largely a procedural issue, which will soon be rectified.

The start of trading in the Osaka contract has been extensively delayed due to anticipated changes to Japan's taxation system, which would have an impact

on the way this market was orga-

Since these plans have largely been shelved, the Osaka Securities Exchange decided to go ahead anyway, particularly following the recent move to give Japanese institutions direct access to foreign financial futures markets.

Along with these developments. the Ministry of International Trade and Industry is gradually moving to try and reorganize Japan's multitude of commodities

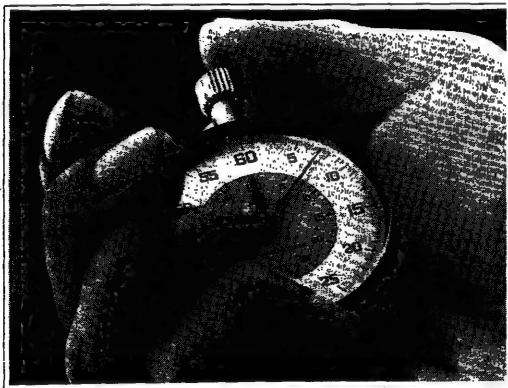
exchanges — although with only minor success so far — in eliciting increased investor interest.

Along with the Ministry of Finance's caution in allowing these slightly more sophisticated markets to develop due to fears of investors losing their funds, its attitude also represents a long-standing opposition to speculation in these markets.

With the large trading lots in the Osaka Futures 50, this will limit the activity of all but the largest private investors from participating in this market, with the high commissions another factor that will militate against any dramatic

Given the high commission structure of 2.5 percent for a twotrade, the securities houses find the new market more

BRIAN ROBINS, a journalist based in Tokyo, writes for The South China Morning Post, Euromoney and The Far Eastern Economic Review. He is the former



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colleagues at every level from section chief all the way up to president had been contacted by

public offering recalled that all of his executive

Nomura's nickname is "noruma" (a foreign

word used in Japanese to mean quota). A visitor to a provincial branch of Nomura dis-

covered that the "perpetually smiling" sales-ladies were anything but relaxed. They are obliged to meet a group quota of about \$30 million in sales per month.

Among Nomura's innovations is the so-

called "heaven-or-hell" bond, which is issued in one currency but redeemed in another, with the issuer taking a huge risk by fixing the rate of exchange at the time of issue.

Daiwa, which is No. 2, is seen as being much like Nomura only less so. The firm takes credit for having pioneered the shogun bond (issued by foreigners in Japan to raise dollars) and has taken an aggressive role in samurai bonds (public issues in yen by foreigners), managing nearly half of all issues in Japan last year.

No. 3 Nikko has a reputation for functioning very much like a bank. It has begun to stress the portfolio business and has introduced a computer-tracked index fund.

"The others don't offer this," said one Nikko official, who maintained that in just 15 months, the Nikko-BARRA fund has attracted

the equivalent of \$3.5 billion.

Yamaichi is the oldest of the four. One fund manager in Tokyo recalled a time, before a erious stock market tumble in 1965, when

Yamaichi was the largest. "They are the most gentlemanly of the four," he said. Yamaichi has pinned some of its hopes on

foreign expansion and has plans to open an office in Shanghai. While admitting that there would not be much business in China for a while, a spokesman for Yamaichi's planning department stressed that "when the Chinese do things, they do it suddenly and with style." Yamaichi hopes to manage Eurobond issues for Chinese corporations.

Although each firm has its special characteristics, all have taken advantage of their size. In spite of statements to the contrary, there have been indications in the past of a tendency to "promote shares." One of the firms was once quite open about its so-called "share-of-theweek" program, by which it had all its sales-men push a single stock. Simply knowing the name of the promoted share could mean mil-

lions in profits.

Another practice popularly known as catchball — placing prearranged buy orders be-tween branches for a stock being underwritten by the company—came to light during a trial in the last decade. But, as a foreign analyst put it, what with the market leaping upward as if there were no tomorrow, catch-ball has more or less died out: "Why bother with such things when everyone is making money?"

ANDREW HORVAT is The Independent's Tokyo-based staff correspondent.

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By Christine Chapman

OKYO — A futuristic vision of Tokyo is taking shape out on the polluted waters of the bay, on the sites of abandoned warehouses, displaced factories and old-fashioned harborside piers and in deserted country fields. Urban planners, architects and builders have reached the moment of truth. In the Japanese way, much is going to be made out of the unusable. Dream towns will rise out of the landfilled bay and former sewage dumps.

Construction is beginning on a plan to convert overcrowded Tokyo into a 21st-century city that may become the center of international finance. Politicians claim that it is an architectural and economic panacea for the ills of too little space, too high unemployment, too low a domestic demand for labor and goods and too much emnhasis on the conception of Tokyo as the focus of power and prestige.

By fanning the city out on a 60-kilometer (37-mile) radius, planners hope to turn the megalopolis known as Tokyo into one of history's greatest

Like Paris and London of the 19th century, New York and Los Angeles of the 20th," said Kazuhiko Abe, director of research for the Institute for Urban and Environmental Develop-

"We feel there's a chronological need to change Tokyo again." Mr. Abe said of the redevelopment projects he has been involved with for more than 15 years.

Mr. Abe, an economist, was referring to recent epochs when great changes occurred in Japan: the Edo period, when the country's isolation from the rest of the world was broken: after the 1923 earthquake and again after World War II, when rebuilding the city was essential; and before the 1964 Tokyo Olympics, which gave impetus to building a highway system and dramatic monuments to the new era, such as the Yoyogi Olympic Sta-

The world needs Tokyo as an international city," Mr. Abe insisted. "And Tokyo needs a giant leap forward in terms of space."

The visions, however, come up against the basic realities of limited space, uncertain financing and a nagging doubt: Can planners provide the into the harbor on reclaimed land. infrastructure—a transportation net-

to make a supercity feasible?

The general plan, issued in December and entitled the Fourth Comprehensive National Development Plan for 1986-2000, stressed two seemingly conflicting goals: 5.7 million houses and 40,000 hectares (98,430 acres) of land were needed, and the area of park space per resident was to be

An advisory council to the National Land Agency shores up the fourth postwar plan with impressive statistics. By 2000, the population of the Tokyo metropolitan area, which includes the city proper and its neighboring prefectures, or states, may number 33 million to 35 million, up from 30.2 million in 1985 (there are now 11.6 million in Tokyo proper).

The number of people working in the megalopolis will rise to 16.8 million by 2000, up from 14.7 million in In order to handle the Tokyo explo-

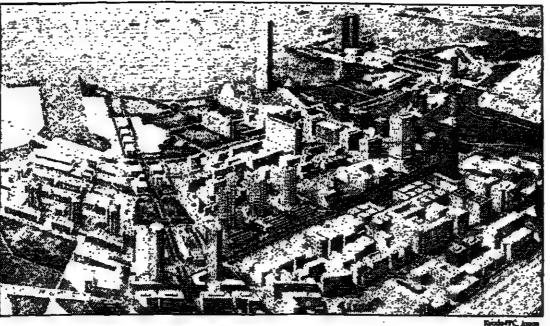
sion, the number of proposed redevelopment projects, on paper or on the table in plastic models, ranges from a low of 40 to a high of 80. For the expansion of the three-city Tokyo-Yokohama-Chiba area, there are 40 or 50 coastal plans that involve Tokyo Bay. When the inland projects are included, the total climbs to more than 70. Mr. Abe said.

We are going to change the structure of the metropolitan area by encir-cling the bay," he explained. A 15kilometer bridge-tunnel across Tokyo Bay will connect the industrial port city of Kawasaki, south of Tokyo, to the western shore of Chiba.

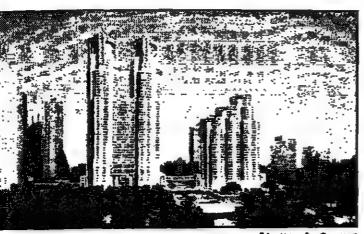
A second major project, one with a fantasy touch, is the creation of a Tokyo seaside development on the site of reclaimed land offshore in Tokvo Bay. It will include River City 21. an all-purpose, self-contained mini-Manhaitan. On another site will be deluxe housing for foreigners, dubbed "International Village," with 2,000 units, hotels, clinics and shopping

Tokyo Teleport, a telecommunications complex, will be built on another man-made island. In late February, the business newspaper Nihon Keizai demurred in a headline: "Too Many Tokyo Bay Projects."

A third major project is in Yokohama, the port city 26 kilometers south of Tokyo; it would extend the city



Drawing of a new port city for Yokohama, part of the Tokyo area's expansion.



A model of Kenzo Tange's design for the Tokyo city hall.

as "Port of the Future," it is a combination of urban renewal and landfill that will provide 186 hectares for ex-

A new airport will be built at Haneda, site of the national airport that a few years ago lost traffic to the new international airport at Narita in Chiba prefecture. About 30 minutes from Tokyo and Yokohama, Haneda, always more convenient than Narita. will claim Asian routes as well as domestic air travel. The fifth important proposal is to

revitalize Chiba on the Boso Peninsula across Tokyo Bay. Famous as a bedroom community for commuters and for Tokyo Disneyland, Chiba has served as an industrial area and an agricultural region that supplies food to the city. Soon, in the fishing village of Urayasu, where Disneyland sits in isolated, encastled splendor, apartments will be built for Japanese and foreigners and sold by the Housing

and Urban Development Corp. Sell-ing homes to foreigners will be a first for the government agency.

Architects for buildings in the 21st-

century project are chosen through competition. Fuymihiko Maki, an international architect, won the contract to design the Makuhari convention center. On paper, the drawing looks, appropriately, like a free-floating station in space.

Mr. Maki's mentor, Kenzo Tange, who built the Yoyogi Olympic Stadium, is designing a new city hall in West Shinjuku, the site of Tokyo's few skyscrapers. The project will comprise the two tallest buildings in Japan, at 240 meters (780 feet), and a shorter cluster of three towers. Calling the models "Gothic-like,"

critics have compared the idea to Notre-Dame and Cologne cathedrals. (Mr. Tange is said to have muttered: 'It's just an office building.")

Mr. Tange's and Mr. Maki's pro-

Except for the Tokyo Bay seaside center, construction on many of the 80 projects is under way, said Mr. Abe. Costs will be in the billions of dollars, financed in part by national and local governments. Apart from the budget problems of the national and metropolitan governments, the coordination of the multiple propos-als is a headache for the National Land Agency.

"For example, each prefecture or each city wants its own convention Mr. Abe said. "It's difficult to say, 'No, there are too many convention centers," but the National and Agency is trying to organize the different projects."

Mr. Abe, whose institute works for

the National Land Agency, is aware of other potential problems: insufficient transportation or new roads that will make traffic worse than it already is, the possibility of night-time "ghost towns" after workers leave, and the historical prejudice of the Japanese about where they live and work in

Expanding Tokyo into the prefectures challenges tradition. To the Japanese, the northern and eastern districts of the city conjure up images of the lower-class city-center neighborboods and areas too close to the countryside. Having left the provinces for the big city, the Japanese prefer to settle in the western or southern districts, which represent upper-class chic and money,

However imperfect the urbanization project, people agree that something must be done.

CHRISTINE CHAPMAN, a journalist based in Tokyo, specializes in cultur-

# Tips on Becoming An 'Honored Guest'

recently asked a department store clerk in guidebook Japanese how to find a boutique somewhere nearby, the answer became an odyssey. After considering the shop's address on a Japanese business card, the clerk led the couple to his supervisor. The supervisor studied the card and walked the strangers to the store's information desk where a young woman searched for a detailed map of the neighborhood. Failing to find one, she left her post to accompany them to a nearby police box where an officer pointed out the shop across a busy intersection.

In a country where foreigners are "honored guests" to be protected from harm or embarrassment, such response is not unusual. Frequently, the most embarrassing moment for business travelers and tourists is

how to handle such hospitality. Language and cultural differences make Japan a destination unlike any other. With a little planning, business travelers and tourists can make more of their stays and stretch

their appreciated yen.

The best place to begin is the Japan National Tourist Organization, with ow offices and with information centers in Japan at the international airport. Kyoto and in central Tokyo at 1-6-6 Yurakucho.

The tourist office can supply a wealth of

information, including a comprehensive bro-chure called "Your Guide to Japan," maps, lists of inexpensive hotels and restaurants, walking tours in Tokyo, cultural events and sightseeing tours.

phiseeing tours.
The office sponsors a tape-recorded telephone service in English and French, alerting tourists to events in Tokyo and Kyoto. In Tokyo, the English number is 503-2911; the French number is 503-2926. Individual queries can be fielded 9 A.M. to 5 P.M. through the English-language Japan Travel-Phone. In Tokyo, dial 502-1461.

The major travel agencies in Tokyo have international sections to help foreigners book hotel rooms and tours or reserve train seats, but the convenient and money-saving Japan rail pass, good for unlimited mileage for one, two or three weeks, must be purhased overseas from an authorized agent before arrival. A seven-day pass costs slightly less than a round trip from Tokyo to yoto and Nara. Day passes on the Tokyo subway system are good value at 600 year (about \$4) and save the time and trouble of dealing with ticket vending machines at each

Travelers to Japan can buy almost anything they have forgotten to bring, although the prices will be considerably higher than at home. The American Pharmacy near the Yurakucho tourist information center has English-speaking staff and many foreign medicines and beauty products.
When packing, visitors would do well to

include small packets of tissue, often needed here as napkins, tollet paper and towel paper. Sensible shoes are also a must but in-

OKYO — When two lost Americans Japan a sensible shoe is one that can be slipped on and off easily, saving time and frustration in temples, restaurants, doctors' offices and homes where shoes are left at the

Basic travel wardrobes work well in Japan, but natural fibers are more comfortable during the muggy months of July, August and September. Winters are cold and generally

clear, but bulky clothing such as down coats

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# A question can lead to an odyssey.

gets in the way on snoways and in restaurants. When it comes to accommodations and eating, timid or busy travelers would do well to book into one of Tokyo's many Westem-style hotels that cushion against cultural rub. First-class hotels compete particularly for the corporate traveler, with executive lounges and cocktail parties, reference li-braries, secretarial and translation services, free meeting rooms and gift-buying advice. The top-of-the-line Hotel Okura even makes an IBM Personal Computer available to business people; the Imperial Hotel rents

Seeking out less expensive lodgings in less convenient locations is in some ways easier in Japan than in other countries. Neighborhoods and the subways used to reach them are safe; accommodations, though basic, are clean and efficient. The tourist office can supply information on efficiency (business) hotels, where an average single is 6,000 year, syokans (Japanese-style ims), at 8,000 to 10,000 yen a person; and youth hostels. Or you can follow Jack Nicklans into the Impo-rial Hotel's newly redecorated Imperial Suite, which rents for 600,000 yea a night.

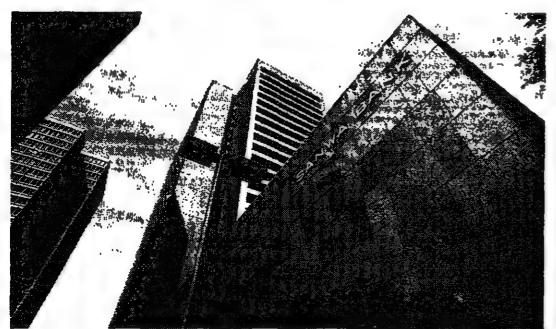
The only dish not easy to find in Tokyo is conscous. The New Otani Hotel, one of the largest in the world, even has its own Tour D'Argent with numbered ducks, while Mi-ami Beach's famous Joe's Stone Crab supplies Tokyo with crab claws. But the best bet in Tokyo these days is a seisholar (pro-nounced tay show kn); the huncheon special available at many restaurants. From 600 to 1,200 year will buy a main dish (at a fraction of what it would cost at miss at the pickles; not and perhaps office dishes.

There is no appropriate Japanese restartants, but it the individual tab is over 2,500

yen, a 10-percent tax is added.

NANCY BETH JACKSON, a journalist based in Paris, has just returned from a year in

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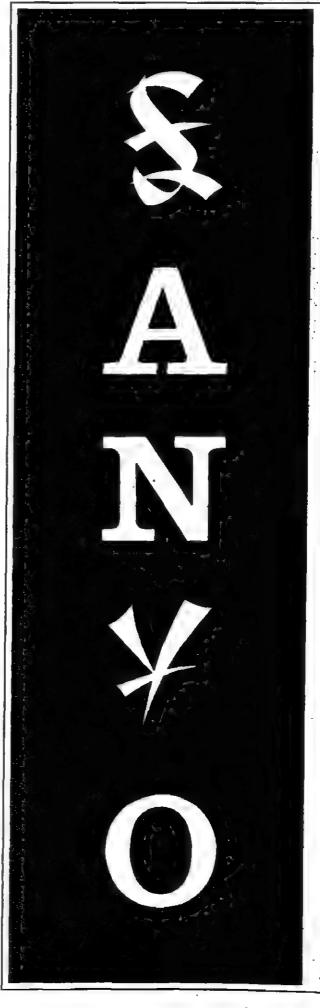
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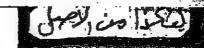


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# Will Japanese Buy Wall Street?

Continued from page 7

al economics at Harvard and former undersecretary of state for economic affairs.

And, just as in other business, the Japanese have started out modestly on Wall Street and then, by attention to detail, quality per-formance and sheer hard work, they have gained market share. For instance, Japanese commercial hanks first entered the letterof-credit market in 1983 and today are the biggest issuers of such guarantees of municipal debt, winning the business with bids often 50 percent below American banks - a reflection of more lenient reserve requirements on Tokyo banks. And some municipalities preferred doing business with the

Japanese.

"There's a sex appeal to doing business with the Japanese," said Kenneth Gibbs, a vice president in the First Boston Corp.'s public finance department.

Similar inroads have been made in corporate finance. Nomura took Wall Street by surprise when it was selected last year as the sole underwriter of a \$250 million fiveyear domestic note offering for the General Electric Credit Corp. with a bid that was 11 basis points, or hundredths of a percentage point, lower than the competition.

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They won the deal because, like any house, they were the low bidder," said Geoffrey R. Norman, treasurer at General Electric. Credit.

Still, some say the Japanese will have more success as traders than founded. "It's just not logical or in corporate finance, which is rational to think that the Japanese have more success as traders than more governed by historic clientbanker relationships. "Corporate finance will be tough," said Samuel L. Hayes, investment banking professor at Harvard. "Our investment and commercial banks have developed such sophistication that the Japanese have a long way to go to become head-to-head competi-.

While the Japanese still have a their actions being interpreted as

**Making New Inroads** 

Data as of Dec. 31, 1986, compared with figures at end of 1985 (in perentifieses), for U.S. subsidiaries of Japan's largest brokers (capital in millions). Second table shows Japanese investors in U.S. investment banks. BROKERS Capital Employees \$131.0

(220) **Dalwa Securities America** \$116.6 (141)(\$63.2) (120)Yamaichi luternational \$60.7 (\$23.9) (3) **INVESTORS** U.S. Investment Primary dealer Aubrey G. Lanston, bought through J. Industrial Bank of Japan Henry Schroder Bank, an

12.5% stake in Goldman,

13% stake in Shearson

leading to control of the destiny of

\$500 million

long way to go on Wall Street, many fear that they are so wealthy that ultimately they will dominate. Giant commercial banks like Stmitomo could buy Salomon Brothers, Merrill Lynch and Goldman as well. And some paint a doomsday scenario of the Japanese gaining control of the U.S. financial markets and then causing a collapse by suddenly with-drawing their holdings,

Nippon Life Insurance

To some, these concerns are unwould own Wall Street, said John G. Heimann, vice chairman of Merrill Lynch Capital Markets and comptroller of the currency from 1977 to 1981. But, for the Japanese, this is a sensitive topic.

"Japanese are very sensitive to the control issue," Mr. Axilrod said, in an interview from Nikko's Tokyo office. "They don't want

the United States." Of more immediate concern, however, is the issue of fairness the ease with which the Japanese can set up shop in New York compared with the barriers in Tokyo.

American markets are remarkably open; Japanese markets are remarkably closed," said Representative Charles E. Schumer, the Brooklyn Democrat who has sponsored legislation to roll back primary dealer status to Japanese firms until the Tokyo barriers are lowered. Still, given the desire on Wall Street to do business in Tokyo, New York bankers seem more interested in lining up Japanese partners than in making

LESLIE WAYNE is a business

By Gregory Clark have risen by an average of 200 percent over the past two years OKYO — Under strong and the boom is now spreading to U.S. pressure the Japa-nese government has fiother major cities. The excuse for the boom is Tokyo's growing role nally announced a \$42 as an international commercial center and the low level of interest

billion spending package to revive the economy. Most of the money will go to public works and hous-ing finance. The aim is to help tide the economy over the difficulties caused by the so-called endaka defure - dellation resulting from en appreciation

To date, the government has been reluctant to increase public spending because of concern over the already high level of public debt. The size of the package, and its sudden announcement, show that it at last realizes the problems facing the economy following the 60 percent yen appreciation in the past two years.

Even so, the package seems to be yet another example of Japan's propensity for too little, too late. Almost daily, the figures released in Japan testify to the damage caused by yen appreciation. Profits in the manufacturing industry fell by an average of 22.8 percent in the 1986 financial year ending March 31. The fall the previous year was 19.8 percent.

One out of 10 of Japan's listed companies had an operating loss in the 1986 financial year. At the top of the list were 10 of Japan's largest shipbuilding, steel and shipping companies. Most had losses well over the \$100 million mark. Half of them had losses the

Even well-known electronics makers such as Sony, Canon, Victor and Sanyo are beginning to register losses, thanks to vicious costs in export profits.

Investment in most of the manufacturing sector has been slashed. In the steel industry it has been cut by more than 30 percent, and ees are under way.

Fortunately, the economy has been sustained somewhat by the shift in emphasis to nonmanufacturing sectors. The more expensive yen means stronger purchasing power for some, and that is starting to lap over into the housing and service sectors. The new technology industries based on computers and communications coninue to expand.

Electricity and gas companies have made enormous profits from the fall in imported fuel prices, most of which have not been passed on to consumers.

But the main factor working to hold the economy up is the quite unreal boom in the land and stock

ing, as in the past, a string of bankruptcies and a recessionary mood extending at least three to four years. If this coincides, as is likely, with several major bankruptcies among medium to large export manufacturers, the slump

Land and Stock Boom Take Up the Slack

for today in Japan is another oil crisis centered on the Gulf. As in of Japan's oil imports, weaken the yen and allow the export indus-

company profits have been falling. Price-carnings ratios are now approaching the 70 level, a figure quite out of line with economi Worse is the way the two booms reinforce each other. Rising land values increase company asset valnes, which in turn provide the excuse to increase share prices. Banks willingly accept the inflated values of land and shares as collateral to lend money for purchases of more land and shares. In Japan, it is called "financial technology,"

and it is rapidly replacing the real world of technology as a major source of enterprise profits. Many

manufacturing firms now rely on

it to prevent profit levels from

rates, now below 4 percent for

financial instruments. But pure, unadulterated speculation would

seem to be a much more important

On the stock markets the specu-

lation is even less disguised. The Tokyo exchange is up by close to

70 percent over a year ago, even as

going into the red. For the government, too, the speculative boom has been a savior. Normally, the slump in manufacturing would put severe pressure on revenues and hence spending. But this year at least, the fall in manufacturing has been more than compensated for by the quite abnormal profits made by banks, securities companies and real estate dealers. Nomura Secutities, Japan's largest securities company, registered profits of close to \$3 billion, up more than 60 percent from the year before.

land sales turnover. Government spokesmen still hold to their optimistic 3.5 percent real growth estimate for this fiscal year, although most private estimates remain lower.

The government also gets a per-

centage of the stock market and

This economic activity has allowed the government to put to-gether its \$42 billion spending package. In particular, it is looking to the go-go stock market to provide it with further large revenues from the sale of its shares in NTT, the former government telecommunications monopoly, later

But while the government has been able to increase spending, optimism for the future seems misplaced. The land and stock market

markets. Land prices in Tokyo booms will inevitably fade, leav- lution to Japan's problems, a sencould extend much longer.

> Paradoxically, what some hope 1979, this would push up the price

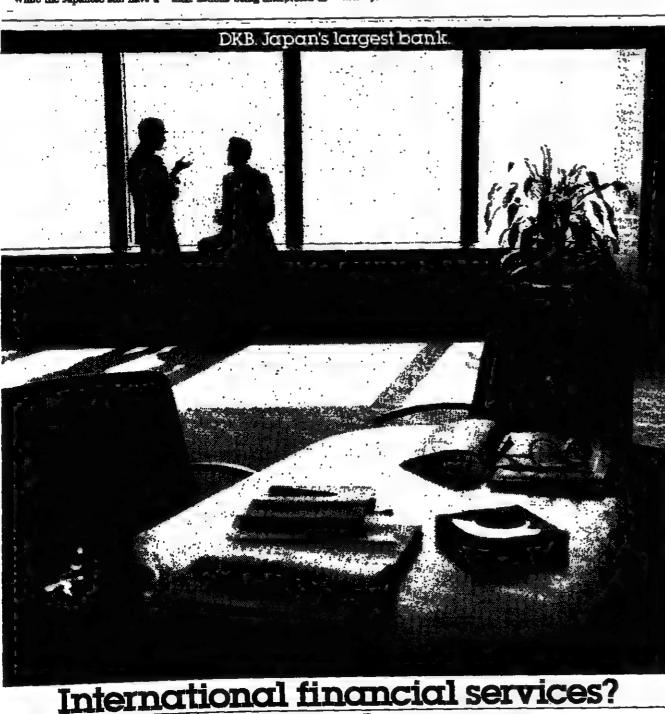
sible land tax system, continues to be ignored. The currently absurd levels of land prices do more than distort the economy; they also prevent effective utilization of the government's new spending package. Finance for new housing is of little use when few can afford the land to build a house. More than 90 percent of the money allocated to build a badly needed 2 kilometer (1.23 mile) stretch of highway in the center of Tokyo will have to go on land acquisition costs.

If Japan could pluck up the courage to raise land taxes to the level of other advanced societies, it

problems. It would lower land prices, increase government revenues, encourage new private spending and allow infrastructure spending to become economic (to the extent such spending increases land values and thus land tax revonues). As to why Japan still refuses to revamp its antiquated and quite illogical land tax system, this, as ever, remains a mystery.

GRECORY CLARK is professor of international business at Sophia University in Tokyo.





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# TOKYO

# An Executive Tour

TS hazy, mazy and has a traditions of efficiency and sercost of living index as high as its summer humidity. It's the original city designed by committee: an 800 square mile sea of concrete and neon sameness awash in a riot of incomprehensible characters. It's Tokyo, and it has everything necessary to drive arriving tourists to despair; that is, if the exchange rate and interminable ride in from Narita International Airport haven't done it already.

Yet, most international visitors, especially representatives of firms planning to set up operations in Japan, convention-goers, financiers and other business types wanting to be where the action - spelled-Y-e-n — is at, will agree that this city of 12 million works remarkably well when it comes to accommodating their needs.

When visiting Tokyo, remember to stay central. As a rule, the closer to the Imperial Palace, the better. While all roads may lead to Rome elsewhere, they lead from the Imperial Palace in Japan, Since the main Marunouchi business section, the Ginza entertainment and shopping section, underground transit system and Tokyo Station are all in proximity to the Palace, staying central will save you a lot of time and trouble.

Your choice of centrally located hotels is protean, but the Imperial and Palace remain perennial favorites of international visitors. Both are located within sight of the Imperial Palace moat, and both have long

The Imperial, Japan's first Western-style hotel, was built in 1980, specifically to meet the needs of a growing stream of overseas guests. It has been rebuilt and enlarged three times, including the internationally renowned Frank Lloyd Wright version that survived the Great Earthquake of 1923, but not the wrecking ball in the late 1960s when development pressures led to the building of the present Imperial. Today's Imperial meets the

needs of international business travelers on a scale undreamed of a century ago. With more than 1,100 rooms in all sizes and configurations, including suites ranging from functional to palatial for both temporary and long-term occupancy. With offices in the Imperial Tower, one of the most prestigious business addresses in town. With a fully equipped and staffed Executive Lounge where hotel quests can meet visitors, send telexes, get calling cards printed and have free use of word processors and other equipment. With banquet, reception and convention facilities capable of handling a few thousand. With restaurants, boutiques, a post office branch, and for the active, a pool, sauna and even a popular jogging course around the Imperial Palace area. Whatever the need or scale, the imperial is up to the task in meeting it.

The Palace Hotel is even doser to the heart of Tokyo's financial district. With about

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one-third the number of rooms the Imperial offers, plus seven restaurants, three bars and a 20-store shopping arcade, the Palace is large enough to provide its international guest with the very best of everything, from business breakfasts to breathtaking banquets, yet small enough to retain the personal touch. The Palace is a tranquil oa-

sis overlooking the moats and grounds of the Imperial Palace and its outer garden, and is given high marks by frequent travelers to Tokyo for comfort. security and service. Those in the know cite the hotel's summertime air-conditioning systern as one of the best, and speak well of the service stations on each floor that assure prompt room service and security. A very high percentage of the hotel's guests honor it by returning year after year. Only a five-minute walk from Tokyo Station and a ten-minute taxi ride to the Tokyo City Air Terminal, the Palace offers convenience both coming and

Imperial Palace, the Jardine Business Center-Tokyo can have a new business office up and running from day one. A member of the World-Wide Business Center Network, the Tokyo Center goes well bevond the convenience of Executive Lounges in hotels by offering clients a variety of facilities and arrangements, depending on size and needs. Whather the need is for a temporary office while looking for

a permanent one, or a client

1000

Just on the other side of the



chooses to call the Center home, Jardine provides a prestigious address, an experienced bilingual staff, and a lot of help with whatever new-

comers need to know. Jardine's Identity Plan, for example, allows clients to maintain a presence in Japan without an office or full-time staff, Ideal for a company with sales representative(s) in Tokyo for a few days a month, this plan provides the tenant with a private telephone line, a listing in the building's labby, a mail and message forwarding service and an office on a daily basis when the employee is in town. At ¥ 10,000 (\$71 at current exchange rates) a day, the Center is great value when one considers the time, trouble and expense involved in finding an office anywhere, let alone in the heart of town.

But if a permanent place is required, be it an office, industrial property or real estate, HIRO & Associates, a unique Japanese company that specializes in international real estate appraising and consulting, can provide prompt and expert English-language service in such areas as feasibility studies. leasehold and demographic analyses, acquisition and disposal, and more. Once settled, you're ready

to reap some of the advantages of your location. A good way to see the lay of the land is to take one of the day or night city tours that operate from major hatels. Latest-run cinema in original language, dance reviews and Takarazuka musicals are but minutes away from the Palace Hotel and only steps away from the Imperial. Shops and boutiques, the likes of Issey Miyake and Dior, giant department stores, bargain basements and galleres are all there for the asking.

Good food? The choice is wide open, from the Maxim's de Paris, Sabatini de Firenze and La Tour d'Argent transplants, to the Japanese originals of Benkay, Benihana, Suntory and Inagiku that have branches around the world. Maxim's, Sabatini, Benkay and Benihana are within minutes of the Imperial on foot, while the others are conveniently reached by subway or taxi. Ethnic foods are the current fad in Japan and one would be hard-pressed not to find a favorite curry, piroshki, eisbein, enchilada or paella dish plus the atmosphere that goes

International conventions and exhibitions don't slow down for summer. The 29th Annual Congress of the Association Cambiste Internationale, held earlier this month, brought more than 2,000 foreign exchange dealers to the New Otani Hotel for discussions on the violative money markets. Between now and September, the city will hot

months of acoustical tests, Sun-

tory Hall began its first concert series last October with such guest orchestros as the Berlin Philharmonic under the baton of Seiji Ozawa, the Vienna Philharmonic with Claudia Abbado conducting, and the English Chamber Orchestra under the direction of Andrew Litton and Jeffrey Tate: A full, rather edectic summer schedule is in progress. It includes several piano recitals by Stanislav Bunin, traditional and innovative music of Kyoto, songs of summer memories by soorgno Yumiko Samejima and per-

admission for visitors who may not wish to stay for an entire

Other diversions could in-

dude concerts and museums.

Suntary Hall, Tokyo's new

world-class concert hall, is well

worth visiting. It's located in

the massive ARK Hills complex

between Roppongi and Aka-

saka. Built to commemorate

Suntory's 60th year as a whis-

key maker, the main hall seats

some 2,000 and features one

of the largest organs in Japan,

a 74-stop, 5,898-pipe concert

organ custom-made by the

Rieger Company of Austria to

match the acoustical charac-

teristics of the hall. After six

The Suntory Museum is another fascinating place to visit. Located in the Suntory headquarters building in nearby Akasaka, it is home to one of the finest private collections of traditional Japanese artifacts under the theme "beauty in everyday life." Among the museum's permanent collection of paintings, scrolls, utensils and other traditional art objects, are objects that have been designated as national treasures and important cultural assets. A Java batik collection now on display will give way to an exhibition of some 200 masks and figures from Africa, Asia, the Americas and Oceanig under the theme "internatrional forms of gods." The show runs from July 7 through the end of August. While there, be sure to visit the mu-

seums's tea ceremony room. If you'd rather have something stronger, stop by the Suntory Jigger Bar in the same building to sample and compare some of Japan's — and the world's --- finest whiskeys. Suntory Jigger Bars, which also serve food, are located in major cities throughout the country. There are two in Tokyo; this one in Akasaka and another in Roppongi called the

With Tokyo Station conve

kurg and Shimoda are perennially popular with visitors, and can add much to the avality of a trip to Japan. Hikers have options of one-day walks ground the north face of Mt. Full on well-marked trails that wind through forest and lake country. Cycling tours-around the lakes are also possible. Hot? spring spas, great scenery and refreshing mountain coolness are attractions of the Hakone area. Cycling and walking, tours around Kamakura wills give the visitor an appreciation of Japan's rich cultural heritage, as the area abounds in temples, shrines and other vestiges of being the country's imperial seat some 700 years ago. Nikko, an hour and 45. minutes out of the city, puls you in a national forest of century-old cedars, the famed Kegon Fall of Lake Chuzenii and a remarkable mausoleum called Toshogu Shrine, built for . Japan's first shogun, Tokugawa leyasu.

lakes and Hakone area, Kama-

Check out the "Nissan: Guide to Tokyo and Environs' for a brief but comprehensive rundown on walking tours of Tokyo, one day and overnight excursions out of the city, and a wealth of other information. Nissan's is a 132-page factpocked compendium of every place, feature; address and telephone number business visitors need to take the confusion out of a Tokyo tour. Maps, transportation tips, trips to the country - everything - it is available at leading bookstores in Toloro along with a companion valume, the Nissan-Guide to Kyoto.

7 No people tove a parade more than the Japanese and summertime has more than its share of them. The Star Festivol in early July and Bon Festival mid month are nation-wide Suntory Jigger Bar, Newport, celebrations that give rise to thousands of shrine and female nient to both the Palace and festivals in Tokyo and outlying Imperial hotels, visitors want areas. Just lequire at your ho-tel or a tourist center for a list ing to escape the city can be... cooling off in the mountains, at : of options and specific dates. the shore or at a spa in just an hour or two. Nikks, the Fui 5-Sage Ballard



Reception area of the Jardine Business Center in Tokyo.

international congresses and symposiums on everything from Ultrasound in Medicine and Biology to Biomagnetism, while the Tokyo Fair Grounds at Harumi and similar facilities will be the sites of shows ranging from housewares to cold type offset printing.

For some cultural exposure, you might consider seeing a kabuki play at either the Kabuki-za or National Theater, You can rent headsets for translations of the story line, and the Kabuki-za even offers reduced

formances by the Berlin Philharmoniches Kommermusik Collegium. Suntory Hall also offers pre- and post-concert dining facilities. Try Cafe Concerto for something light or Le Maestro for formal continental

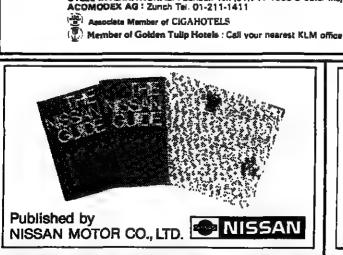
The ARK Hills complex also houses a 37-story "intelligent" office building that is home to more than a dozen international banks, the 36-story All Nippon Airline Hotel, luxury condominiums and a television news studio.

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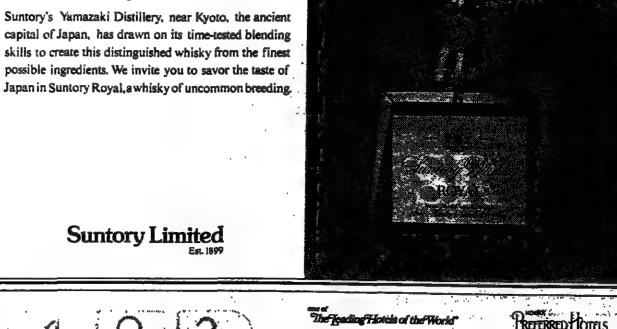


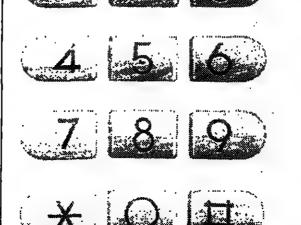
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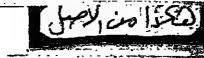
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# As U.S. Deficit Festers, **Need for Surgery Looms**

By CARL GEWIRTZ

F HISTORY has taught us anything, it is that the longer a problem is allowed to fester, the more radical the treatment will have to be to cure it. That is a legacy of Lyndon B. Johnson's term as president. His refusal to raise taxes to finally crupted, after his retirement, into abandonment of the postwar system of fixed exchange rates.

Today, another U.S. administration is unwilling to raise taxes to finance a military buildup, and as in the 1960s, West Germany

to finance a military buildup, and as in the 1960s, West Germany is turning a deaf ear to requests to aid the adjustment process.

This sets in motion again the problems that ultimately will lead to major surgery because a

Band-Aid was not applied in

what experience has 'The extent of shown, said Stephen Marris, a senior fellow at the Institute for International Economics, a Washington think tank, is that "action to reduce a deficit in advance of a loss of confidence in the currency is much

il Giar

central bank intervention in the first quarter raised an alarm.

milder than the action needed to restore confidence." How far we are from the point where confidence is broken is a matter of conjecture. But it is clear from an annual report last week from the Bank for International Settlements and from the semiannual Economic Outlook of the Organization for Economic Cooperation and Development that officials are fearful that the turning point may be at hand.

For both, the size of intervention by central banks in the first quarter was an alarm, for it was their accumulation of dollars that covered the U.S. current account during the period.

One way or another, a current-account deficit has to be financed. Up to late last year, the United States has had no trouble attracting foreign investors, most notably Japanese, who willingly sold local currency to buy dollar assets — largely U.S. Treasury paper. This has changed. Now, the central banks are buying Treasury securities with the dollars purchased in the

HE PROBLEM is, there are limits to what central banks can do. In addition, as was seen already this year, when voluntary financing of the deficit is replaced by "involuntary" accumulation, U.S. interest rates are inevitably forced higher, increasing the risk that the economy could be tipped into recession or worse.

In the past few weeks, there has been no need for intervention. Japanese government pressure to halt speculation against the dollar is having its intended effect, and the large 5 percentagepoint differential between yields on dollar bonds and yen bonds is again attracting money from Japan into dollars. But few analysts see this as a sustainable trend.

Mr. Marris, who is also a former chief economist of the OECD. anticipated today's conditions in his book "Deficits and the Dollar," published in late 1985. He believes that further weakness in the dollar will force U.S. rates sharply higher before the end of this year, sending the United States into recession next year and the rest of the world with it.

The OECD already sees signs of flagging confidence, notably in West Germany, where businesses are inwilling to use the large profits built up over recent years for new plant and equipment despite the favorable domestic climate of negligible inflation and low interest rates. (Nominal rates are at historical lows, although real rates are high): \_

"Business confidence," the OECD said, "seems to have been adversely affected not only by the cumulative rise of the Deutsche mark since early 1985 but also by fears of continuing unrest in

foreign exchange markets." The same fears are apparent in financial markets, where investors have retreated from the international arena for the safety of their own currency in their domestic markets. What business gets transacted internationally is in short maturities, of less than five years, or is purely speculative, such as the equity warrant bonds of Japanese companies.

Last week's activity in the Eurobond market reflected this. the heavy sell-off Friday in Tokyo, the warrant issues ended the week trading at substantial discounts. Prices tumbled in Tokyo following reports of unexpectedly high first-quarter growth of the money supply, triggering fears that the government would begin

The exception was Cosmo Securities, the 10th-largest securities firm in Japan. Another notable feature is that it was brought to the market by a non-Japanese firm, Schroder Wagg. The five-year bonds carry an indicated coupon of 1% percent and an expected stock option price of 21/2 percent above the prevailing Tokyo

See EUROBONDS, Page 17

# **Currency Rates**

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# Last Week's Markets

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S & P Ind NYSE Co	35537 172.57		+1.60 %	3-month Interbunk	2.9/74	3 9/16
Britole FTSE 100	2,244.10		1,53% 0,63%	West Germany Lambard Call money	5 335	5 3.35
Jopan .	1,208,12		234 %	3-month Interbank Scitain Bank base rate	2.70 y	3 <i>3</i> 5
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Hong Keng Hong Seng	3,765.64	3,129.58	+1.14%	Bik Engli Index 162 Geld		+ 0.07 S

# The Dismantlement of Ivan F. Boesky

By Steve Coll and David A. Vise

Washington Past Service
NEW YORK — It was hard to believe that the man standing in the lobby of the tawny, modern skyscraper at 650 Fifth Avenue was really Ivan F. Boesky.

It was Tuesday, March 17 — St. Patrick's Day — and outside a thick crowd swarmed

along the avenue, watching the annual pa-rade. In the lobby, Mr. Boesky stood waiting for an elevator. He wore a golf cap over his long, silver hair, and a parka, though the day was sunny and mild.

Since November, when details of his cor-

rupt stock trading practices and record-setting settlement with the government were announced, Mr. Boesky had been coming to his Manhattan office nearly every day. While waiting for the elevator that Tues-

day, Mr. Boesky greeted a man who worked with him in the building. The man returned the greeting and then realized why Mr. Boesky was so heavily dressed.

Because of the parade, Mr. Boesky had been unable to get across Fifth Avenue in his limousine. The fallen speculator apparently had decided to walk the last block to his office, and the golf cap and parks were a form

As one of the country's best-known inde-pendent stock traders, Mr. Boesky had sought out public attention. Now, as a government informant and a symbol of Wall Street greed, he is afraid to be recognized, A man whose fortune once exceeded \$100 million must mortgage property and works of art to pay his taxes.
And yet, the daily routine of the country's

most notorious white-collar criminal is in some ways little changed.

Before the charges were lodged against him, Mr. Boesky was legendary for his 20-hour work days. Even after the charges were disclosed, he continued to spend hours each day helping to sell off the remnants of his once-behemoth financial empire.

While awaiting sentencing, Mr. Boesky still comes regularly to his vast office suite to deal with lawsuits and other matters that

have arisen since his guilty plea.

This working routine is part of an arrangement made between Mr. Boesky and the government last fall, a deal that has no prece-

On Nov. 14, the Securities and Exchange Commission announced that Mr. Boesky had paid the government \$100 million to settle charges that he traded stocks on the basis of confidential information about upcoming corporate takeovers.

It also was disclosed that Mr. Boesky had agreed to plead guilty to one criminal count carrying a maximum of five years in prison, and to provide investigators with fresh information about Wall Street corruption.

The SEC barred Mr. Boesky from the securities business for life. As part of the arrangement, however, the government agreed to



One person compared the removal of his office machines to a scene from 'The Wizard of Oz.' A curtain is pulled back, and the 'great and powerful Oz' is exposed as a two-bit carnival promoter.

suspend the ban so that Mr. Boesky could participate actively in the systematic sell-off Boesky, his firm could have been forced into bankruptcy, perhaps causing more than \$1 billion of stock to be dumped onto the market

"I think we accepted the wisdom of allowing Boesky to be in there for some transition period," said the SEC's enforcement chief, Gary Lynch, "I think on balance it worked

For the dozens of employees who worked for Mr. Boesky's firm, its dismantlement was an emotional, often bewildering period. For Mr. Boesky himself, it marked the beginning of a difficult personal transformation.

On the afternoon of Nov. 14, Mr. Boesky, who was known as a stern and demanding boss, stood at the head of a marble conference table in his office on the 34th floor of his Fifth Avenue building and embraced his employees one by one.

Moments before, Mr. Boesky had told the dozens of executives and support staff gathered in the room that he had settled insider trading charges by paying the government \$100 million. He said that while the firm ultimately would be closed, it would be in business for the foreseeable future. Mr. Boesky told his staff that the govern-

ment had given him 18 months, or until early 1988, to complete the liquidation of his stock portfolio. He asked for everyone's support, He also asked his staff to remember "the whole Ivan Boesky," not just the bad part. "He said this in a strong voice," one em-

ployee recalled. Mr. Boesky was asked if he would be allowed to buy stock. Buying some stock while selling off his holdings would help Mr. Boesky disguise the unloading of his \$1.2 billion portfolio.

According to one person in attendance, Mr. Boesky replied, "Well, we can still buy, but we won't be doing any hostile takeover

That answer, delivered without apparent irony, was typical of the attitude that Mr. Boesky displayed toward his legal problems during the initial weeks after his settlement was announced. He seemed to believe that not much of consequence had changed for him or for his firm.

That afternoon, for example, Mr. Boesky made telephone calls to investors in his partnership and directors of the public companies he controlled. He told some of them that while his accord with the SEC would strip him of the right to own a stockbrokerage firm, he hoped he would be able to work with them again some day, perhaps as an investor.

The people who heard him say such things

thought that Mr. Boesky was being unrealis-Neither Mr. Boesky's routine nor his tough

See BOESKY, Page 19

# Subroto Says **OPEC Needs Study on Dollar**

JAKARTA - The Organization of Petroleum Exporting Countries needs to study an adjustment in crude oil prices, which are denomi-nated in dollars, to compensate for the decline of the U.S. currency, according to Subroto, Indonesia's

cuss an exchange adjustment." Mr. Subroto said Saturday, although he noted that the proposal had not been placed on the agenda for the cartel's meeting in Vienna on

1986 crash to their current level around \$20 a barrel.

'I detect a new sense of realism in OPEC, a reluctance to go back to the bad old ways," said Mehdi Varzi, an industry analyst with the London brokers Kleinwort Grieveson Securities. "The nightmare of the oil price crash is still very fresh

in ministers' minds."

Oil analysts believe that the 13nation cartel will, after some negotiations, agree to continue restraints on output to avoid flooding the market. A return to excess supply would put pressure on the \$18-per-barrel oil price that has been maintained so far this year.

Mr. Subroto said that one way to compensate for a lower dollar would be by linking crude prices to a basket of currencies, but he said that approach was "too difficult

and complex."
"The other is to set exchange adjustments that would compensate for the depreciation of the dolar." an idea "that needs to be stud-

There has been some suggestion that OPEC should raise its prices to compensate for a decline in purchasing power resulting from the

If OPEC discusses a pricing adustment, Mr. Subroto said, "We will have to first study together at which dollar value we should peg our adjustment.

energy minister.
"It is possible that we may dis-

Thursday.
But oil analysts agreed Sunday that OPEC is unlikely to move to loosen its grip on world oil markets when it reviews a December accord that helped prices to recover from a

ied again," he said.

dollar's weakness.

"But if we take it since December 1986, then it has depreciated by a mere 5 to 7 percent.

Mr. Subroto, a former OPEC chairman, said that the cartel also would have to decide whether such an exchange-rate adjustment would begin immediately or be de-layed until December.

Rilwanu Lukman, the Nigerian oil minister and OPEC's current president, said he expected the Vi-enna meeting on Thursday to be short and calm. "We already have an agreement which may need only

a slight review," he said.
"I myself believe that OPEC will tend to take a position to strengthen the gains we have made so far." The Gulf Cooperation Council,

See OPEC, Page 17

## Energy Agency Sees Scarcity of Oil in 1990s

The Associated Proce

PARIS - The International Energy Agency warned Mon-day that world oil demand could exceed supply in the 1990s.

In its latest annual report on the energy policies and programs of IEA countries, the Paris-based agency also called on its 21 member governments to resist pressures for protectionist measures such as oil import taxes or other trade barriers that followed the fall in oil

Total primary energy demand is expected to grow rapidly in the next few years, then expand at a slower pace in the

1990s, the report said. Total energy demand in Western industrialized nations stood at just over 3.8 billion tons of oil and its equivalent in 1985, and could rise to between 4.6 billion and 5 billion tons by the turn of the century, the agency predicted.

# U.S. Apartheid Activists

will be a new focus on all compa- South African activists. nies in South Africa as the American withdrawal becomes more proto reduce U.S. corporate involvement in South Africa.

to look at their presence, also, as dwarfed by the investments there public opinion develops around the of other foreign companies. issue," he said.

weeks ago for the complete with-drawal of U.S. corporations from South Africa.

It also coincides with an appar-

Many have said they left for ecomuch tougher target; other foreign nomic or strategic reasons rather concerns with holdings there. My anticipation is that there has been put on them by the anti-

est line yet on the issue, calling two Standard Chartered PLC, a British employees in South Africa and is

# Further international expansion

During 1986, Banque Internationale à Luxembourg (BIL) showed a further substantial improvement in its overall performance. Business volume increased by 16.4 % to reach 320.2 billion frs (U.S.\$ 7.8 billion), and net profits rose by 28.21 %, compared with 23.6 % in 1985. Reflecting BIL's ongoing efforts to expand and refine its service potential, non-bank customer deposits grew by 14.32 %.

BIL is Luxembourg's largest commercial bank and has exercised the right to issue banknotes since it's foundation in 1856.

During its 130th financial year, the bank strengthened in particular its asset management activities, offering sophisticated portfolio management services from one of Europe's most attractive financial centers.

BIL introduced 30 new investment funds in 1986, bringing to 72 the number of funds domiciliated with the Bank (total net asset value per 31.12.86, Lits 315 billion (U.S.87.67 billion).

On the Eurobond market the bank acted as manager or comanager in 301 new issues (compared with 195 in 1985, and 70 in 1984) involving a total of more than U.S. \$ 17.22 billion. Particular emphasis was placed on the management of ECU bonds, where BIL is a world leader by virtue of its extensive experience. The total volume of ECU bonds managed and co-managed by BIL was ECU 5.11 billion (U.S.\$5.44 billion). The Bank also expanded its strong position on the secondary market quoting daily prices for more than 300 Eurobonds.

The bank expanded its international presence by opening new representative offices in Tokyo and Frankfurt, following earlier moves into New York and Singapore.

Its wholly-owned merchant bank BIL (Asia) Ltd in Singapore and the newly launched BIL Suisse S.A. in Lausanne continued being active more particularly in the field of commission-generating business. During 1986, BIL's London branch received the status of

"recognized bank". In addition, the bank keeps significant stakes

in Henry Ansbacher and Co. Ltd in London and in Banque de

Gestion Privée in Paris. The prospects for continued progress appear excellent. Based in Luxembourg, which is rapidly developing its scope of international banking and finance capabilities, BIL offers to private, institutional and corporate customers tailormade banking services through its own offices in key financial

centers and worldwide through its extensive correspondent relationships, including the network of ABECOR, the world's largest hanking group of its kind.

For your copy of the 1986 Annual Report, please contact the

Timment Highlights			
- In Life, million -	per 31.12.86 -	Lin 100 = ±	U.S. S 24361
	1984	1985	1986
Net profit	522	645	827
Distributed profit	260	357	472
Net dividend per share	Lfrs. 280	Lfrs. 335	Lfrs. 380
Gross Cash Flow *	3,695	4,221	4.582
Total assets	238,440	279,300	320,210
Loans and advances	58,392	65,129	78,638
Due from banks	128,235	149,107	148.983
Due to banks	33,443	42,825	49,573
Customer's deposits	182,744	205.875	235,350
Own resources and provisions incl. borrowed capital	13,983	18,923	23.624

Net profit plus taxes on profit plus allocation for depreciation and provisions after deduction of the previously released provisions.

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# Focus on Foreign Firms As Americans Pull Out, Target Switches

Washington Past Service of South Africa's apartheid poli- 1984, including 39 so far this year, cies, who have been making head. according to the Investor Responway in their efforts to get U.S. sibility Research Center, a Washcompanies to withdraw from that ington-based organization. nation, are turning their sights on a

The broadening of the efforts to put pressure on South Africa comes as Mr. Sullivan has taken his bard-

ent quickening of the pace of pull-outs by U.S. companies. Citicorp, Ford Motor Co. and ITT Corp. announced last week volvement. Nearly 150 U.S. companies have either left South Africa

Nearly 200 major U.S. compa-

nies remain in South Africa, led by nounced," said the Reverend Leon Mobil Corp., which has more than Sullivan, a Philadelphia minister 3,000 employees there. Most say who has been a leader of the efforts they believe they can force South Africa to change its apartheid policies by working within the system. "A number of companies from But the remaining U.S.-owned operations in South Africa are

> According to a report by the research center, 254 foreign companies have direct investment or employees in South Africa, including banking company with more than 22,000 South African employees; Courtaulds PLC, a British paper and textile company with 14,260 workers there, and Royal Dutch

# **Black Business Sees Progress** In South African Listing

LEBOWA, South Africa — Stockbrokers here are predicting that shares in Lebowa Bakeries Ltd. will be popular with white investors when the bread maker debuts next month as the the first black-owned

company to be listed on South Africa's stock exchange.

Pothinus Mokgokong, the company's 64-year-old chairman, said that the listing showed that blacks were making progress, despite South Africa's apartheid policy of racial segregation.

"It is a beginning, a breakthrough economically," he said Sunday.
Few blacks participate in the Johannesburg exchange is the world's

Lebowa Bakeries sells its daily production of 200,000 loaves in Lebowa, 11 kilometers (nearly seven miles) from the Afrikaner town of Pietersburg.

Around 2.3 million blacks live in Lebowa, one of 10 so-called

national states established by the government to remove blacks from predominantly white urban areas. Bread distribution is allocated, and Lebowa Bakeries gets 60 percent of the market. If the debut is successful, it will make Mr. Mokgokong wealthy by black South African standards. He holds 80,000 shares worth 75 cents each, the offering price to the general public. The total offering is relatively small, at 2.15 million shares valued at 1.6 million rand

(about \$793,000). In the past five years, Lebowa Bakeries' net profit has risen 92 percent to 2.4 million rand and revenue 111 percent to 32 million.

that they planned to end their in-See APARTHEID, Page 17

11th largest.

The president of the Johannesburg exchange. Tony Norton, said there was no apartheid on the exchange. "Any company that meets our standards is welcome," he said. "We don't discriminate." The company's 690 employees include 15 whites who help manage it and train black workers.

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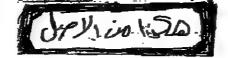
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AND COLOR OF THE ST. CO. No. 1 I AM CO. 1 I The series of th | Mary | Table | Tabl MARKET PARTERS Fixed Income and Equities Trading Tree to the state of the state for dealing prices call: 1-16 1-18 176 600 8 tache Landesbank, Head Office, P.O. Box 1128, 4000 Düsseklorf 1 International Bond Trading and Sales: Telephone (211) 8263122/8263741 che Landesbank, 41, Moorgate, London EC2R 6AE/UK WestLB International S.A., 32-34, boulevard Grande-Duchesse Charlotte Westdeutsche Landesbank, BA Tower, 36th Figor, 12 Harcourt Road Hong Kong, Telephone (5) 8 42 02 88, Telex 75142 HX One of the leading Marketmakers Westdeutsche Landesbank



# New International Bond Issues

Price		وونبو					DEMINIS
Composite   Principlina de Crédit   Principlina de C		Amount (millions)	Mat <sub>:</sub>	Coup. %	Price	end	Terms
Procedure   Proc	FLOATING RATE NO	TES					<del></del>
### Algorn \$100 1990 814 101 99-40 Namoshable, Fees 1945.	Financière de Crédit Industriel et	DM 255	1993	<b>V</b>	100.05	99.90	Over 6-month Libar. Nascaflable. Fees 0.13%.
Production   \$100   1990   814   101   99-40   Nanoglichile, Fees 1995,	NZI Capital	Y 10,000	1992	0.60	100	_	Below the Japanese long-term prime rate, semicroscopy, Noncollable, Fees 0.55%.
Production   Functiong   \$125   1994   894   10114   99.75   Nanocickitis Fees 1805.							
Topicnto Dominion		\$100	1990	8:4	101	99,40	Nancolobia. Fees 14%.
Molecysia		\$125	1994	834	1011/2	99.75	Noncofable, Fees 146%.
World Bank		\$46.475	1989	9.83	98.594	_	Coupon will be 9.83% to 1997, 6% to 1998 and 6.314% in 1989, Fees 16%.
Eginpopean Community	<del></del>	DM 150		614	100	97.40	Nancoliable, Fees 29/36.
Genosserschaftliche	<del>'</del>			71/2	1011/4	99.88	Noncolable. Fees 13/%.
Zejhrolbonk   CS 100   1992   994   10114   99.25   Noncaficide. Fees 1985.						<u> </u>	
Socialité Nationale des   Cs 90   1991   996   10116   99.50   Neurodichie. Fees 1985.		G 75	1993	7%	101%	99.63	Nonzalobie, Fees 1 %%.
Chemins de Fer François   CAMAC Austrolic   CAMAC Austrolic   Aust 50   1992   14   1011/4   99.88   Nancalitable, Fees 19/5.			1992	91/2	1011/	99.25	Nancafoble. Fees 1975.
Nightonic Austractic   Aust 50   1992   14   10134   99.75   Nanocalidate, Feez 2%.	Chemins de Fer	<b>C3 90</b>	·1 <b>991</b>	9%	101%	99.50	Nencollable. Fees 1986.
Mortestry   Society   So		Aus 50	1990	14	1011%	99.88	Noncofoble. Fees 195%.
Belgium   v 50,000   1991   4%   101%   99.38   Nancalfable, Fees 196K, Denominations 25 million y 5,000   1992   100%   7 have well be no coupon in first year, then interest with 7 And year and 7% interestive. Nancalfable in 1964   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%   101%	Béank	Aus\$ 50	1992	14	101%	<b>99.7</b> 5	Noncofiable. Fees 2%.
Bergen Bank   Y 5,000   1992   10034   There will be no coopen in first year, then interest with 7 rid year, 2% in 3rd year and 7% theresofter. Now Feat 1976, Demonstrations are belief the formation of the 1976 of the 1975   1993   1114   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134   10134		Aus\$ 100		13%	101%		Noncoloble, Fees 1996.
In 2nd year, 25th in 3nd year and 7th thereofice, Nome Fees 19th, Demonstrations and believe year.				4%		99.38	Noncolloble. Fees 1975. Denominations 25 million yes.
Compony Linçoin Savings & Y7,000 1992 4% 101% — Noncollable, Fees 1816, Denominations 20 million y Lorin Association EQUITY-LINIOD Cosmo Securities \$50 1992 apen 100 101.25 Coupon indicated or 1996, Noncollable, Each \$5,00 with one wormer energicable into company's shore so to be set 1 Glory \$60 1992 11/4 100 95.50 Noncollable, Each \$5,000 note with one warrant energic product from the company's shores and 1,379 year par share and of year par dollar, Fees 24/5. Kansaci Point \$60 1992 11/4 100 95.00 Noncollable, Each \$5,000 note with one warrant energic production of 1,323 year par share and of year par dollar, Fees 24/5. Maritarya \$50 1992 11/4 100 95.00 Noncollable, Each \$5,000 note with one warrant energic production from 21,323 years par share and 1,323 years par dollar. Fees 24/5. Nilippon Cill 8, Fats \$70 1992 open 100 93.50 Noncollable, Each \$5,000 note with one warrant energic part part dollar, Fees 24/5. Nilippon Cill 8, Fats \$70 1992 open 100 99.50 Compon indicated or 13/5. Noncollable, Each \$3,000 note with one warrant energy part dollar, Fees 24/5. Prosco \$85 1992 open 100 99.50 Compon indicated or 13/5. Noncollable, Each \$3,000 note with one warrant energy is share and part of the part	Bjergen Bank	Y 5,000	1992	_	100%		There will be no coupon in first year, then interest will be 3% in 2nd year, 5% in 3nd year and 7% thereafter. Noncollable Fess 1996. Denominations one talken year.
EQUITY-LINKED  Cosmo Securifies \$50 1992 open 100 101.25 Coupon indicated of 1996. Neuroalidate, Each \$5.0 with one victorial exercised into conjugacy's aftern expected 29th promism. Feat 2965. Terms to be set 1. Set 1992 156 100 95.50 Neuroalidate, Each \$5.000 note with one victorial exercised into company's shores of 3,979 year per share end of year per disclar. Feat 2855, 1997 year per share end of year per disclar. Feat 2856, 1992 176 100 95.00 Neuroalidate, Each \$5,000 note with one victorial end into company's shores of 807 year per share end of year per disclar. Feat 2856.  Kansari Point \$60 1992 176 100 95.00 Neuroalidate, Each \$5,000 note with one victorial end into company's shores of 1,323 year per share end of year per disclar. Feat 2856.  Nilikken Chemicals \$50 1992 176 100 93.50 Neuroalidate, Each \$5,000 note with one victorial end into company's shares of 1,333 year per share end of year per disclar. Feat 2856.  Nilippon Oil & Ficts \$70 1992 open 100 — Coupon indicated of 1996. Neuroalidate, Each \$5,000 note with one victorial end ended to 1995. Neuroalidate ended 1995. Neuroalidate ended 1995. Neuroalidate ended 1995. Neuroalidate ende 1995. Neuroalidate ende 1995. Neuroalidate ende 1995. Neuroalidate ended 1995. Neuroalidate ende 1995. Neuroalidate ended 1995. Neuroalidate 1995. Per per 1995. Neuroalidate 1995. Neuroalidate 1995. Neuroalidate 1995. Neuroalidate 1995.	_	y 7,500	1993	414	10134	99.50	Collable of 10115 in 1990, Fees 116%.
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Toycana Chemical \$50 1992 open 100 99.25 Coupon Indicated at 1996. Noncollable, Each \$5,0 with one warrant exercisable into company's shares and at supported 24% premium. Feet 21%, Terms to be set 1.50 years and 1992 open 100 97.00 Coupon indicated at 1995. Noncollable, Each \$5,0 with one warrant exercisable into company's share expected 24% premium, Feet 21%. Terms to be set 1.50 years and 1992 open 100 97.00 Redeemable at 123% in 1992 to yield 84%. Conversational Conversations of 1,500 per share and at Aus\$2.2543 per peut 24%.  Waccoal Ecu 80 1992 1½ 100 97.50 Noncollable, Each \$,000-ecu note with one warrant able into company's shares at 1,502 year per share one openy's shares at 1,502 year per share.	Pjosco	\$ 85	1992	open	100	94.50	Coupon indicated at 1966, Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at a expected 25% premium, Fees 25%. Terms to be set June 23.
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Yagnamura Glass \$40 1992 open 100 97.00 Coupon indicated at 1995. Noncollable, Each \$5.0 with one widthout sweether the company's share expected 24% premium, Feet 24%. Terms to be set 1 Bell Group £75 1997 5 100 97.75 Redeemable at 123% in 1992 to yield 84%. Conver Audi 10,28 per share and at Audi 22,2543 per pour 24%.  Waccal Ecu 80 1992 1½ 100 97.50 Noncollable, Each 5,000-acu nate with one warron't able into company's shares at 1,322 year per share	Toyama Chemical	\$ 50	1992	open	100	99.25	
Bell Group   £.75   1997   5   100   97.75   Redeemable at 12314 in 1992 to yield 84%. Convert Audit 0.28 per share and at Audit 2.2543 per pour 21/1/2.    Waccoal     ECU 80   1992   1½   100   97.50   Noncellable, Each 5,000-eau nate with one warrent obtains no company's shares at 1,323 year par share	Yamamura Glass	\$ 40	1992	open	100	97.00	Coupon indicated at 1975, Noncollable, Each \$5,000 not with one Warron* serviceable into company's shares at at expected 297% premium, Feer 215%. Terms to be set June 22,
Waccal ECU 80 1992 11/s 100 97.50 Noncellable, Each 5,000-acu note with one warrant able into company's shares at 1,323 year par share	Bell Group	€75	1997	5	100	97.75	Redeemable at 123% in 1992 to yeald 8%%. Convertible at Aus\$10,28 per share and at Aus\$2,2543 per pound, Fee
[AV.11 WHI COV HCLL, Page 7875.	Wacoal	ECU 80	1992	11/4	100	97.50	Nonceliable, Each 5,000-eau note with one warrent exercis able into company's shares at 1,323 year per share and a 167-11 year BCU, fees 24%.
WARRANTS	WARRANTS						The state of the s
		0.20	1992	_	\$53		Warrants entiting holders to buy \$500 at a fixed exchange rate of 1.82 marks per dollers.

# EUROBONDS: As Deficit Festers, Confidence Flags: U.S. companies by such means as proposing stockholders resolutions, urging institutional investors to sell their stock in companies with

(Continued from first (mance page) quote when terms are set Wednesday. The paper ended the week trading at 1011/2.

One of the hardest hit or last week issues was Tokyu's. The company is involved in real estate development, retailing and recreation and had traded as high as 105 to 106 before the indicated coupon of We percent was cut to % percent. This is a record low, reflecting, in the view of many bankers, not the greed of the company but the muscle flexing of Yamaichi Securities, the lead manager. By the end of the

week, the paper was trading at 96.
Insiders report that the warrants
are not being sold. Including the
cause of the fear of credit tightenstrike price and below-market cou- ing and also because the monthly pons on the bonds, the effective domestic settlements system has the domestic bond markets.

earnings ratios of Japanese stocks at record highs and fears increasingly voiced that a classic speculative bubble is building in Tokyo. the latest warrants are largely being left with underwriters.

Many bankers expressed concern that the upcoming \$800 million issue for Toyota may break the market for equity warrant bonds. One Japanese source reported that the lead manager. Nomura Securities, intends to increase the amount to \$1 billion.

premium on this issues works out now been revised to a five-day bato about 30 percent. But with price- sis. Up to now, speculators could buy and sell huge quantities of paper, settling only the difference on the payment date: the 25th of each month.

The five-day settlements date is driving large numbers of speculators out of the market, adding to the weakness. As a result, the Euroyen issues for Belgium, Korean Electric Power and Lincoln Savings all traded outside the fees paid to

This was true of virtually all the straight, fixed-rate debt issued last week. Both Canadian and Australian dollar bonds, which continue to attract retail demand in Europe, traded down following declines in

# **Amro Bank Guilder Facility Is a First**

By Carl Gewirtz tional Herald Tribine

The first multi-option facility denominated in guilders was launched on the international credit market last week by Amsterdam-Rotterdam Bank NV for a commany in the Thyssen-Bornemisza Greenland NV, a holding com-

pany of agricultural equipment in-

INTERNATIONAL CREDIT terests, is seeking to raise 300 million guilders, half as a domestic

loan and half as a multi-option facility that will give Greenland various means to raise cash through asking a tender panel to submit The facility is to be backed by a committed five-year revolving credit. An unusual feature is that there is no annual facility fee to be

fee of 1/2 percent, or 121/2 basis amount not used. To draw on this credit, the company will pay 1/2 point over the ings on the credit will cost 121/2 London interbank offered rate, or basis points over Liber and the

paid whether the credit is drawn or

not. Instead, there is a commitment

The domestic credit will run for more than half is drawn. veven years and also carry a commatment fee of 1/4 percent. Drawing (CIR), Carlo de Benedetti's holdcharges start at & point over Libor ing company, appointed Citicorp for the first two years, 1/2 point over to arrange a \$200 million syndicat-

In the dollar market, SHV Hold- the option of withdrawing after the ings NV, a privately owned Dutch fifth or sixth year.

cent. Charges to draw on the loan, points. Interest on drawings is set arranged by Citibank, start at 20 at 15 basis points over Libor.
basis points over Libor for the first
In Asia, Citicorp is arranging the three years and in two-year inter-refinancing of a 49 billion yen cred-

tal 71/2 basis points. Alacan Australia named Swiss Bank Corp. to arrange a \$100 mil-lion note issuance facility. This will run for eight years, but underwriters are offered the option to withdraw after five.

Participants will be paid an un-derwriting fee of 18% basis points and will be committed to provide credit at a maximum margin of 20 basis points over Libor. Front-end

fees amount to 10 basis points. Norske Skogindustrier AS, a pulp, paper and timber company, is seeking a \$100 million, five-year facility against which it can issue Euronotes. Banks are being asked points, to be paid only on the to underwrite a \$70 million backup credit that will carry an annual fa-

charge will to 20 basis points if Compagnie Industriali Riunite for the next three years and & point ed loan. The credit will run for seven years, but underwriters have

holding company, is seeking \$350 CIR will have one year in which million. This seven-year credit will to draw down the loan and the carry a commitment fee of 14 per-commitment fee will be 614 basis

vals rise to 25 and then 30 basis it for Hopewell Power China Ltd. congressional action to put trade points over Libor. Fees paid to This was financing for the Shajiao sanctions on the nations in which banks underwriting \$25 million to-coal-fired power station in China. these companies are based, so that

The portion being refinanced those governments will bring was originally a guarantee facility sure in turn on the companis from Japan, whose terms were the activists also say the those governments will bring preslieve that the influence of large U.S. fixed at a margin over the long-term prime rate in Japan. The new term prime rate in Japan. The new companies that have pulled out of seven-year credit will bear interest at 18 points over Libor until companies, as well as the remaining pletion of the project, expected in U.S. firms. 1988, and then 1% percent Eur-4 TransAfrica, a Washington-based oyen Libor is currently around

percent. The proceeds are being swapped Citicorp, the last remaining major into a new fixed-rate loan, with U.S. banking company in South Hopewell paying well below the Africa, was "not just another corcurrent long-term prime rate of 4.9 poration leaving.

The Bank of Greece will also be tapping the yen market. It is negotiating for terms on a 10-year loan of 40 billion yea, equally divided between fixed and floating rates.

U.S. Consumer Ra	ites
Tax Exempt Bands Bood Bayer 21-Band Jades	743%
Money Market Punds Discognos's 7-Day Average	
Benk Money Market Accounts Book Rafe Monitor Index	557 -
Home Mortgood, PHUS oversign TV Source , Mark York Thomas	m -

# **Bank Conference to Focus on Debt**

By Carl Gewirtz

HAMBURG - The world's leading commercial bankers open their annual conference here on Monday, focusing on the debt crisis, international monetary reform and the increasing risks incurred in payments between banks as the olume of interbank business ex-

"It's an opportunity for heads of banks to get together and discuss issues," said Willard Butcher, chairman of Chase Manhattan-Bank and president of this year's International Monetary Confer-"We are interconnected," he said

in an interview on Sunday. "We have got to take account of how our colleagues" look at problems and attempt to solve them. The object of the three-day meeting, said Walter Scioo, chairman of

The meeting, at which a number of central bankers will participate. does not set policy.

the American Bankers Association. The restricted membership is even no relation to economic capability divided between U.S. and non-ties and do nothing about it. The restricted membership is even-U.S. hanks. Current membership in

the IMC is 109 banks. In Mr. Butcher's view, there are three overriding issues challenging commercial banks today:

The debt crisis. "We are a systern," he said, which means that "the health and progress of each is dependent on the health and progress of the system as a whole." The increasing risks incurred

in payments between banks. More than \$300 billion a day currently passes through the New York settlements system, giving bankers nightmares of what would happen if ever one bank failed to honor a CONSTITUTION.

international monetary system," Commerzbank, "is to look at prob-Mr. Butcher said, "but the damn lems and discuss possible soluthing doesn't work, not when it

'In the long run, you can't sit by is a goal of all their

and watch the economic damage wrought by currency rates that hear

"Sooner or later we will need a hetter system than the one we've

On exchange rates, Mr. Butcher said that "clearly, the dollar is in better relation than it was, at least against the Deutsche mark and

"But I would rather see further change in the dollar rather than a slide toward protectionism," he

He said that the world needed a period of exchange-rate stability, but added, "I suspect we may need the dollar to go lower over time."

The central bankers here, Paul

A. Volcker, chairman of the Feder-• International monetary re- al Reserve Board; Karl Otto Pohl. form. "We live within a system, the president of the Bundesbank; Rob-in Leigh-Pamberton, governor of the Bank of England; and Jacques thing doesn't work, not when it de Larosière, governor of the Bank permits a mussive misalignment of of France, will no doubt reiterate currency values for great periods of the message of their recent commumiqués that exchange-rate stability

# Jacobs Says He Owns Big Block Of Gillette Stock

New York Tomes Service NEW YORK - Irwin L. Jacobs, the Minacapolis investor has disclosed that he owns "a ubstantial" block of stock in

Gillette Co. The disclosure Friday is ex-pected to touch off similar announcements by other investors and may even trigger a bidding war for the Boston-based maker

of razor blades. It came a day after Ronald O. Perelman, chairman of the cosmetics company Revion Inc., said he was prepared to pay "at least" \$40.50 a share, or \$4.8 billion. Gillette rejected the offer before the day ended but did not assail the price as unfair.

Mr. Jacobs refused to be specafic about his holdings, but said that the amount was less than 5 percent. Traders estimated that he now holds at least 4 percent and would buy more.

# **OPEC:** Dollar Issue

(Continued from first (insuce page)

which includes the key OPEC members Kuwait, Saudi Arabia, the United Arab Emirates and Qatar, said last month that it wants to continue with the \$18 oil price and the output limits that have been in

OPEC reversed the slide in oil prices caused by its huge overproduction when it set an effective overall limit of 15,8 million barrels per day and a target price of \$18 at a meeting in December in Geneva, At the meeting, OPEC also set

fixed prices averaging \$18 a barrel. The cartel also set a provisional ceiling for the third quarter of this year of 16.6 million barrels per day and of 18.3 barrels a day for the fourth quarter. Some analysts believe that those ceilings may be too

According to the International Energy Agency, the cartel's main problem is where to set a ceiling for this year, with world oil demand in the major industrialized countries expected to grow by little more than I percent. (Reuters, AFP)

# In Brazil, Car Sales Skid to a Halt

# Industry Faces Crisis as Dealers Protest Rising Prices

SAO PAULO - Brazil's auto industry has not made a single domestic sale for several days, and several assembly lines will stop shortly, according to indus-

The auto industry, which is dominated by the subsidiaries of Volkswagen AG, Fiat SpA, General Motors Corp. and Ford Motor Co., has seen demand slumping for months as the country

But the problems intensified last Tuesday, when dealers de-cided to stop buying cars and trucks to protest high govern-ment taxes on vehicles. The pre-vious week, the government had authorized a 22 percent authorized a 33 percent increase in cur prices to cover the industry's rising costs.

A spokesman for the Brazilian Association of Automotive Vehicle Distributors, Marcio Stefani, said that dealers felt their livelibood was at stake.

'Cars aren't selling because they cost too much," he said.
"It is a question of our survival. The price of cars in Brazil has reached an insupportable level."

(Continued from first finance page)

believed by some experts to have

the largest foreign investment

Others with major holdings in

clude the West Germany automak-ers Volkswagen AG, Daimler-Benz AG and Bayerische Motoren

Werke; British Petroleum Co.;

Switzerland's Nestlé SA; and Unilever Group, the Dutch-British food

and drug conglomerate.

Activists in the United States

have been able to put pressure on

South African ties, and lobbying

state- and municipal-governme

holdings.

investments in or contracts with

companies with South African

However, pressuring non-U.S.

companies is more difficult. Only

36 companies other than those

from the United States have pulled

out of South Africa since 1984, ac-

Operating under different corpo-rate rules, foreign companies are

less sensitive to outside pressures

than U.S. companies. "We've had

the shareholder pressure here that I don't think they've had overseas,"

said Alison Cooper, an analyst for

Royal Dutch Petroleum, for instance, refused requests to intro-duce shareholders' resolutions at

its annual meeting this year requesting that the company pull out of South Africa.

Activists are now trying another

tactic, using a Dutch law requiring

be called to discuss an issue if 10

percent of the shareholders request

Mr. Sullivan is also calling for

The activists also say they be-

Randall Robinson, head of

lohbying group, said the pullout by

"It's the largest American bank

SELECTED RESAMPLE QUOTATIONS

Bitter Corp.

GoodMark Foods

MAG Holdings

NAV-AIR

Spectrodyne

ID ASK

30% 31

3% 414

3% 3%

WITH COMPLMENTS OF

CONTINENTAL AMERICAN

44% 44%

116 11%

15

that a special shareholders' mee

the research center.

cording to the research center.

A GM Opala Diplomata, he said, costs \$30,000 in Brazil, while an equivalent car in the United States would cost about

A spokesman for the National Association of Automotive Vehi-

If a boycott by dealers continues, manufacturers say, layoffs will

cie Manufacturers, Fred Carvalho, said that if the trade's boycott continued for anothe week, there would first be collective holidays then layoffs.

follow.

days from June 29 to July 13. Fint said Thursday that it would give 2,000 workers a

month's vacation, from July 6,

halting production for the do-

APARTHEID: U.S. Activists Focus on Foreign Firms

He suggested that Citicorp's de-

South African buyouts of U.S. in-

ticorp, Ford and ITT came less

Previously, Mr. Sullivan had

promulgated a group of guidelines, known as the Sullivan Principles

that called for U.S. companies op-

erating in South Africa to maxi-

mize opportunities for blacks and

to oppose apartheid in other ways.

But earlier this month, Mr. Sullivan

said he had concluded that that

doctrine was not working and called for all U.S. companies to

The three companies said their decisions had nothing to do with Mr. Sullivan's change of position; they appeared to have made deci-

But activists say other compa-nies are reconsidering their South African stands in light of Mr. Sulli-

"I think you'll see a quickening

based on the deterioration

than two weeks after Mr. Sniliva took his hardest line yet on involve

and one of the largest financial cor- of the pace of corporate deparporations in the world;" he said, ture," Mr. Robinson said "with \$700 million in outstanding And Mr. Sullivan said.

parture would put pressure on other within nine months, and there will be tremendous force on others that nificant source of funding for remain—unless the South African

market.

loans in South Africa."

ment in South Africa.

leave South Africa.

South African economy.

A spokesman for Ford Brasil mid it would tell about half of its 21,000 work force to take holi-

Mr. Carvalho said the industry was producing 3,500 vehicles a day, below its 1986 average of 4,700 and capacity of 5,100.

During last year's price freeze, known as the Cruzado Plan, de-

mand for cars outstripped sup-Today, with inflation ru at an annual rate of around 1,000 percent and a new austerity plan being put into place, demand has

Domestic car sales during the first five months of this slipped to their lowest level for a decade, at 241,632, compared with 382,182 a year earlier.

However, exports are boon ing. Sales abroad in May totaled \$242 million, a record. The auto industry is critical of the way President José Samey's

Wolfgang Sener, president of Volkswagen do Brasil, said the government had created a "crisis of confidence.

government has handled the

Last month Volkswag it would postpone indefinitely investments of \$150 million planned for this year.

And Mr. Sullivan said, "A sub-

stantial number of companies will

have exited from South Africa

government begins to make sub-stantial changes."

NUTTICE OF DEPAULT

To The Holders of

CSWI International Finance N.V.

\$5 Constantible Subordinated Commuteed Debentures Due 1996 (the "Debentures")

Debentures Due 1996 (the "Debentures")
The undersigned, Bankers Trust Company is the Trustee under the Indenture dated me of May 15, 1981 (the "Indenture") pursuant to which the Debentures were issued. Please be advised that (t) an Event of Default exists under the Indenture in that CSWI inter-sational Finance N.V. did not make the annual payment of interest on the Debentures due on May 16, 1987 and (tij) a default exists indee the Indenture in that Banz Texas Group Inc. (for overly moned Camparez Southwest, lac.), as guaranter of the Debentures, did not make such payment as guaranter. To facilitate further continuational regarding this matter, holders are unged to make their names available to the Trustee by writing to the Trustee at the address lined below and stating that such person is a holder of the above-mentioned Debentures.

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Corporate Trust and Agency Group
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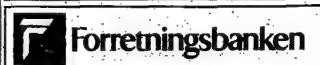
The annual report for the year

# Leveraged Capital Holdings N.V.

has been published and may be obtained from

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## INTERMARKET FUND 1

Société Anonyme bourg, 11, Md. Gde. R.C. Lexenbourg B-8622

ANNUAL GENERAL MEETING of shareholders of INTERMARKET FUND 1.S.A., to be held at the hotel of

Banque Internationale à Lizowabourg S.A., 2, Boulevard Royal, Lizowabourg, on July 10, 1967, at 10:00 a.m. with the following

AGENDA

1. Hearing and accepting the report of the Board of Directors and of the statutory auditor;
2. Approving the balance-sheet and profit and less account as of March 31, 1987 and appropriating the results;
3. Discharging the directors and the auditor for the period ended March 31, 1987;
4. Santana and the suditor for the period ended to the suditor of the period ended March 31, 1987;
4. Santana and the suditor for the period ended to the suditor of the statutors.

 Statutory appoint
 Miscellaneous. The shareholders are advised that no quorum is required for the statutory General Meeting and that decisions will be taken at the majority of the shares present or represented at the meeting with the restriction that no shareholder neither by himself nor by proxy can vote for a number of shares in excess of one lifth of the outstands present or represented at the meeting.

In order to take part at the meeting of July 10, 1987 the owners of hearer shares will have to deposit their shares five clear days before the meeting at the registered office of the fund.

The Board of Directors



Dame Jane 25, 1997

#### EXTRACTS OF LETTER TO SHAREHOLDERS. PHOM MR. PATRICK POLLET, PRESIDENT.

I am pleaned to be able to confirm that your company has achieved in objectives for the 1986-1987 fiscal year.
We have pursued our policy of linuarial reconstruction. For this zemon we ware able to accept the offer of purchase made to us by the Prémumen Group.
This year was also marked by the closer relationship with the company. As

This year was a second of the printengs S.A.
Consolidated sales turnover for 1986/1987 amounted to F.Fr. 11.297 million, including taxes, compared with F.Fr. 10.274 million, being an increase of 10% for comparable data.

Met consolidated profits reached F.Fr. 220.6 million, and include appreciation of F.Fr. 84.4 million in temples of Presumen shares. Excluding this appreciation, the total custor to F.Fr. 136.2 million, against F.Fr. 37.9 million has year, also In recognizable data.

'La Recionic S.A.', showed a postast trading result of F.Fr. 78.7 million

(+ 2.4%).
After exceptional items such as appreciation on the transfer of shares mentioned above and debts written off, not profit reached F.Fr. 105.8 million, against F.Fr. 30 million for the previous fiscal period.

Redunte Catalogue business resulted in ten-inclusive sales of F.Fr. 8,977

F.Fr. 32 million for the previous threat person.

Redunte Catalogue' huminess smalled in ten-inclusive sales of F.Fr. 8,977 million (+ 10.255), product parties of F.Fr. 298 million (+ 20.455) and a net profit of F.Fr. 136 million (+ 25.256).

Vestro-S.L.A.D., which runs the catalog sales operation in Italy, as well as specialized stores in Italy, Squim and Centomy, achieved consolidated sales of 1, 442 hillion and a net profit of 3 billion lim, compared with 111 million for the

previous year.

The range of functorial services provided by the companies Fineral, Reduction Assumers and Compagnies Le Chêne our a very axislantory growth in business during 1986. Total functing greatest and pressumes collected approached F.F. 3 billion.

At Matteus Hotabaldi, the tending period one marked by disrupagement from representative distribution and confirmation of the prelimbility of mail order rates. Sules amounted to F.Fr. 230 million (+ 4.5%), with a net profit of F.Fr. 2.2 million, following substantial provisions for depreciation of stocks and sundry

treat.

In conclusion, I should inform you that the general accounts, which will be held July 22nd, will be achief to approve a dividend of F.Fr. 52, compared with F.Fr. 44, thus representing a global distribution of F.Pr. 63, is million, against F.Fr. 51.9 million in 1985/1986. Firstly, with regard to the current trading period, and taking account of a forecasted shorting down in domestic consumption, as well as a very competitive trading citeirosmeral, we hope to achieve an increase of 8% in order, accompanied by further increased profits.

#### **GESTION OBLI-YEN S.A.** Société Anonyme 10A, boulevard Royal, LUXEMBOURG AVIS AUX PARTICIPANTS DE OBLI-YEN CONVOCATION & L'ASSEMBLÉE CÉNERALE EXTRAORDINAURE

Les participants de Obli-Yen sont priés d'assister à l'Assemblée Générale Extraordinaire qui se réunira le mardi 30 juin 1987 à 15 h 30 afin de délibèree, dans le cadre de l'article 36.2 de la loi luxembourgeoise sur les organismes de placement collectif, sur l'ordre du jour suivant:

l) Transformation du fonde commun de placement Obli-Yen par constitution d'une société d'investissement à capital variable let que ce régime est fixé par le chapitre II de la loi du 25 août 1983 relative aux organismes de plar-ment collectif, par apport de tous les actifs et touten les obligations du fonds commun de placement Obli-Yen à la société d'investimement à capital variable qui prendra la dénomination 'Obli-

Adoption des statuts de la société d'investimement à capital variable

l'mission des artions de la société d'investissement à capital variable Emission des artions de in accère o investissement à capital variante. Obli-Yeu à raison d'une action A qui distribue les dividendes ou B qui capitalise les dividendes de la SICAV, au choix de l'actionnaire pour chaque part du londs commun de placement Ohli-Yen, et fixation des mudalités d'échange des certificats.

Dissignation des membres du conseil d'administration et du commissoire BUX complex of expert independent.

Votre attention est attirée our le lait que l'assemblée organisée dans le catire de l'article 30.2 de la foi du 25 août 1983 peut valablement délibérer quelque soit le quorum réuni. Les différents points de l'ordre du jour des ront être approuvés par les deux tiers au moine des participants présents Los participants de Obli-Yen dans l'impossibilité de participer en

personne sont priès de se faire représenter en déposant leurs titres auprès d'un établissement bancaire et en adresent leur procuration accompagnée du rentifient de bheuge de leurs titres au siège social de la société de gestion pour au plus tard le 24 juin 1987.

Les formulaires de procusation sont disponibles au siège de la cociété de Bargion of anima spe

Decrementations et des formules de procuration out été envoyées à nots les actionaires assumutals inscrite au 9 juin 1987.

Pour le Conseil d'Administration, J. Pierron Directeur (Jeneral

INTERNATIONAL HERALD TRIBUNE, MONDAY, JUNE 22, 1987 **NASDAO National Mark** OTC Consolidated trading for week ended Friday. Mutual 18.89 MIL
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18.94 NIL
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Fiduscria Alleria Alleri Description of the second of t American Exchange Options
Figures as of close of trading Friday.

June 2017 130 of the second secon 是是是对这种的语言,这种是一种,我们是是一种是一种,我们是一种是一种,我们是一种是一种,我们是一种的,我们也可以不是一种,我们也可以不是一种的,我们也可以不是一种的,我们 The reservation of the second 「Mander of the control of the cont Jun Andrew Service State Service Servi Service of the servic The second of t | Value | Valu 特殊 The Free Profession Table To Free Profession T

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The state of the s

# BOESKY: From Bravado to Ostracism: America's Best-Known White-Collar Criminal Dismantles His Stock Empire

(Continued from first finance page) Continued from first finance page)
snanagement style changed appreciably during this early period.

After the stock market consect the stock market consect to the stock m ciably during this early period.

After the stock market opened tach day, Mr. Boesky would stand in his office, watching his stock eraders and researchers on televibeen tolerated in the days before mained mentally alert, people around him said, but his physical been tolerated in the days before Mr. Boesky's fail.

Into the winter, Mr. Boesky remained mentally alert, people around him said, but his physical appearance began to deteriorate. Always lean, he became thinner to sion screens. Each of the employees had his own screen on which he The repeated tardiness appeared the point of frailness. His hair grew longer, and the shirts he wore to could see Mr. Boesky, but only if Mr. Boesky wanted it that way.

At the firm's morning meetings

At the firm's morning meetings

The repeated tardiness appeared to point of framess. The man great to rattle Mr. Boesky, but he had no recourse. He no longer controlled his employees' lives.

The repeated tardiness appeared to point of framess. The man great to rattle Mr. Boesky, but he had no recourse. He no longer controlled his employees' lives.

Mr. Boesky demanding a staffer who had failed to complete an assigned task. How does it feel to be the only person in this room who has done anything wrong? The

to plan the day's market strategy, Mr. Boesky continued to demand icyalty and hard work from his staff, even as the number of his employees began to dwindle from a peak of about 100.

Still intense and driven, Mr. Boesky sometimes had brief fits of rage. One person who attended a meeting in early December recalls Mr. Boesky demanding a staffer and the decision after members of Continue of the many sides. Press reports that he had secretly taged conversations with his Wall Street colleagues contributed to a public perception that Mr. Boesky had ratted to buy small blocks of stock it made the decision after members of Continue of the many sides. Press reports that he had secretly taged conversations with his Wall Street colleagues contributed to a public perception that Mr. Boesky had ratted to buy small blocks of stock it made the decision after members of Continue of the many sides. Press reports that he had secretly taged conversations with his Wall Street colleagues contributed to a public perception that Mr. Boesky had ratted to buy small blocks of stock it made the decision after members of Continue of the many sides. Press reports that he had secretly taged conversations with his Wall Street colleagues contributed to a public perception that Mr. Boesky had ratted to buy small blocks of stock it made the decision after members of Continue of the many sides. Press reports that he had secretly taged conversations with his Wall Street colleagues contributed to a public perception that Mr. Boesky had ratted to buy small blocks of stock it made the decision after members of Continue of the many sides. Press reports that he had secretly taged conversations with his Wall Street colleagues contributed to a public perception that Mr. Boesky had ratted to a public perception that Mr. Boesky had ratted to a public perception that Mr. Boesky had ratted to a public perception that Mr. Boesky had ratted to a public perception that Mr. Boesky had ratted to a public perception that Mr. Boesky had ratted to a public percept gress attacked the commission for

In quiet ways, some of Mr. Mr. Boesky's favorite charities; in Boesky's employees began to fight December, JTS expunged "The

signed task, "How does it rees to be the only person in this room who has done anything wrong?" The person said there was no apparent arony in Mr. Boesky's voice, any in Mr. Boesky's voice, the person and the person are personal setbacks as well. The Jewish Theological Seminary in Manhattan had been one of Mr. Mr. Boesky's favorite charities; in supervising the stock sell-off.

There were personal setbacks as well. The Jewish Theological Seminary in Manhattan had been one of Mr. Mr. Boesky's favorite charities; in the person in this room who against him.

There were personal setbacks as well. The Jewish Theological Seminary in Manhattan had been one of Mr. Mr. Boesky's favorite charities; in the person in this room who against him.

# **Check Fraud at Shearson**

NEW YORK - Shearson Lehman Brothers has said it is trying to recover about \$19 million from Mark A. Stahl, a former senior vice president who has pleaded guilty to checking-account manipulations that allowed him to divert company funds into his own outside

Shearson declined to specify the steps it was taking in seeking restitution or how much of the money it expected to recover. Mr. Stahl, 45, was arrested April 24 and charged with transferring about \$19 million from Shearson to bank accounts in New Jersey. Connecticut, and the Bahamas, and to gasoline and fuel oil compan

He pleaded guilty Thursday in U.S. District Court in Manhattan to charges relating to four transactions covered by federal wire-fraud charges relating to four transactions covered by reducal wire-traud statutes. He faces a maximum penalty of 20 years in prison and \$1 million in fines. His scattenering was scheduled for Dec. 9 to give him time to try to arrange tax payments and restitution to Shearson. Herve Gouraige, the assistant U.S. attorney who has handled the case, said that Mr. Stahl was the only person charged in the matter.

20, the SEC formally barred Mr. ple, he was sometimes rebuffed.

in which he had invested.

Boesky from the securities business for life.

been reduced from about \$1.2 bil- stock portfolio to care for. When he lion to about \$80 million. On May tried to shift his attention to peo-

sued by a person awaiting sentenc- his chin. ing, in part to influence the judge. raising chairman in the past.

Mr. Michel gave Mr. Boesky a list of agencies supported by UJA.
"What he wanted to do was be, say, "What he wanted to do was be, say, when he goes to the office. But his a hospital or in an old-age suite is like an empty bull. The people familiar with the transaction, Mr. Michel said recently. electronic ticker is gone, and so is "From what I understand, they the Countline ridge gone, and so is "From what I understand, they the Countline ridge gone, and so is "From what I understand, they the Countline ridge gone, and so is "From what I understand, they the Countline ridge gone, and so is "From what I understand, they the Countline ridge gone, and so is "From what I understand, they the Countline ridge gone, and so is "From what I understand the people familiar with the transaction, Mr. Boesky borrowed \$2 mil-"From what I understand, they turned him down."

As the trappings of Mr. Boesky's wealth and position have slowly been stripped away over the past seven months, those who know him well believe that they see a change. In the days before his fall, Mr. Boesky sometimes seemed to be an extension of the elaborate technology in his office: the human component of a dazzling, money-mak-

Built into his desk was a switch-

40 34

27 33 47e 1.2

1936 High Low Close Crise

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21 124 1714 1715 1715 1716 1716 1716

224 596 774 736 36

341322 573

in New York, to inquire about par-ticipating in volunteer work. Such community service typically is pur-ticipating in volunteer work. Such two or more phones cradled against

Although the 50-year-old specu-lator has hardly been forced into two or more phones cradled against

the poor-bouse, there are signs that

Mr. Boesky had been a major tronic ticker taped displaying stock contributor to United Jewish Appeal and had served as its fundscreens and cameras that allowed convertible to cash. As April 15

him to survey his employees. These days, Mr. Boesky still have enough cash available to pay works behind his oversized desk his considerable tax bill.

the Orwellian video system. lion
The huge switchboard in his desk to remains — Mr. Boesky owns it — Mr. Boesky's bravado has largely but only a handful of the 160 phone disappeared, people close to him

lines are still connected. One person close to the Boesky organization said that as the office as deeply philosophical, always

formation to a scene near the end what is it you do that makes you of the film "The Wizard of Oz," so?" when the curtain is pulled back and Ocsky from the securities business

At one point, he contacted Erboard with 160 direct phone lines the fire-breathing, "great and pow or life.

Mr. Boesky finally was without a ident of the United Jewish Appeal most of his days standing before carnival promoter from Kansas. board with 160 direct phone lines the fire-breathing, "great and pow-to brokers and traders. He spent erful Oz" is revealed as a two-bit

Although the 50-year-old specuhis chin.

Behind him was a bright, elecfinances. Much of the wealth he approached, Mr. Boesky did not

lion from his wife, Seema, in order

say.

The new Mr. Boesky is described. machinery was carted away, the real Ivan Boesky seemed to become visible for the first time.

asking those around him what it takes to be happy. He has been known to ask out of the blue, "You This person compared the trans- seem to be a happy, stable person:

> telephone, people close to him say, Mr. Boesky never cultivated many deep friendships.

# NASDAO National Market

OTC Consolidated trading for week ended Friday.

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Harman American Ameri 

22% 14'47 7% 16'42 18'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 25'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44 26'44

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43 Plant used for

54 Gaelic 55 Developed 57 Fencing sword 58 "I never Moor-": Dickinson 59 Fast planes 62 Sevilla-to-Cor-

New York Times, edited by Eugene Molesko

# DENNIS THE MENACE



"MARGARET'S NOT ONLY PUSHY, SHE'S PULLY, TOO!"

JUMBLE THAT SCRAMBLED WORLD GAME
by Henri Arnold and Bob Lan Unacramble these four Jumbles POASY MARFE YORRAS DO ZOMBIES LIKE BEING DEAD? **ENCOUB** Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Jumbles AIDED CRAZY RANCED EXCITE Answer: What they did when that men tell off the norse—"DE-RIDED" HIM

# WEATHER

# **SPORTS**

# **SPORTS BRIEFS**

# **World Cup Golf Revived**

SAN FRANCISCO (Reuters) — The World Cup of golf, with two-man teams from 32 countries, will be renewed this year in Hawaii, the International Golf Association announced. The tournament will be held November 18-21 at Kapalpa. on the island of Mani. Organizational problems caused the cancellation of last year's tournament.

# America's Cup Search

SAN DIEGO (AP)—The search for a committee to decide where the next America's Cup yacht races will be held is starting over because of a misunderstanding between the two

controlling groups.

The Sail America Foundation believed some of its nominations had been pre-approved by the San Diego Yacht Club, an arbitrator said Friday.

## For the Record

PEANUTS

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BLONDIE

BEETLE BAILEY

A FUNERAL?

ANDY CAPP

WIZARD of ID

REX MORGAN

GARFIELD

JIM DAYS 6-22

THERE IS A

HOLE IN THE

OZONE LAYER

BROTHER

YOU'VE WRITTEN AN LO C'MON, WE'LL TERRIFIC!

WHAT'S THIS, I IT'S A VERY SOMBER

occasion, sir

Greg LeMond, who was injured in a hunting accident two months ago, will compete in the Coors bicycle race in Hawaii

Andre Severed, 34, who ended his 12-year NHL career with the Quebec Nordiques in 1985 and since has coached their American Hockey League affiliate, was hired as the Nordiques' coach to replace Michel Bergeron, who quit Thursday to become coach of the New York Rangers.

(AP)

> Solution to Friday's Puzzle LOATHE REPARTE UNTIE GREENEYED

> > SOMEONE FROM THE

JUST CALLED.

BASEBALL MAGAZINE

# Successful World Cup Assures a 2d for Rugby

Grant Fox scoring 17 points. He was pan, the United States, Canada, Tonga, easily the tournament's most prolific Italy, Romania, Zimbabwa and Argen-

official world champions, with plenty of justification on the strength of their performances around the globe. In the cup final they left no room for argu-ment as their powerhouse pack paved the way for a crushing victory.

It was an excellent ending to the

month-long, 16-nation tournament, with New Zealand, the Southern Hemisphere's traditional power, pitted against the best from the north, the Five Nations champion France. But the tournament's success had already been assured.

There was a guaranteed profit from an income of about \$10 million, accord-ing to Dick Littlejohn, the World Cup director. And, an estimated audience of more than a billion people in 18 countries watched televised games. But above all else, the 32 games played in New Zealand and Australia had, with few exceptions, delivered a high stan-dard of performance and entertainment that assured the tournament's future.

Even before the competition had swung into the single-climination quar-terfinals, enough drama had been generated to prompt John Kendall Carpenter, chairman of the tournament committee, to set the date for the sec-ond World Cup, in the Northern Hemi-sphere in 1991.

REALLY? DO YOU THINK THEY WANT

BEETLE IS PUTTING

ATMOSPHERE COULD BE

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HIS MATTRES

TO REST

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SERIOUS

AN INTERVIEW?

AUCKLAND, New Zealand — The New Zealand All Blacks finally have won the right to call themselves rugby thampions of the world.

Before an adoring home crowd at Eden Park, they defeated France, 29-9, Saturday in the final of rugby's first would mean that the eight teams that went home after the round-robin world Cup, with All Black standoff Grant Fox scoring 17 points. He was the United States, Canada, Tonga, scorer, with 126 points in six matches.

For most of the century, the All first-round casualties.

The All Blacks' record defeat of Italy.

The All Blacks' record defeat of Italy, 70-6, on the opening day of the tournsment set the pattern for some punishingly high scores against the rugby min-nows. But even the one-sided affairs, such as Scotland's 60-21 thrashing of Zimbabwe, appealed to the crowds. They got what they came for: speed and plenty of tries.

There were disappointments, for Azgentina, Romania and Australia in perticular, and triumphs, for France, Fin and the United States. And there was triumph wrestled from disaster by Wales, which best Australia, 22-21, in the match for third place after a stunning 49-6 loss to the All Blacks in the semifinals.

Also on the negative side, there were a spate of injuries. And there was in evidence for the first time the kind of tactical gerrymandering normally associated with professional sports.

But rugby followers can relish the most successful aspect of the whole ven-ture: The gathering of teams from so many countries for the first time, many of whom had never played each other before, is certain to strengthen the game internationally, while the media exposure and financial success will expansion almost certain.

NO, THEY SAID

YOUR SUBSCRIPTION

HAS RUN OUT...

@\ @



All Black captain David Kirk evaded a tackle by Patrice Lagisquet; left, on route to a try chaing New Zealand's 29-9 defeat of France.

worthy world champion in the All the challenge. Only the absence of South Blacks. Winning six tests, all convincingly, in four weeks is no minor and the many three proportion and the minds about New Zealand's legitimate. All Blacks proved more than a match for right to the world title.

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## WORLD STOCKS IN REVIEW / Via Agence France-Press

# Amsterdam

The Amsterdam stock exchange was stunned last week by news that the publishers Kluwer and Wolsers Samson were holding merger talks following a bid for Khwer by Elsevicz, the second-biggest Dutch publisher.

Attention was focused on publishing stocks throughout the week, and volume in the sector

were substantially higher.
The other major influence on the exchange was the gradual rise in the dollar's value. By the end of the week, prices descended as calmer conditions prevailed and profit-taking set in. International issues remained generally firm. The ANP-CBS general index ended the week

at 297.4, up from 289.9 the previous week. Total volume for the week was 6.497 billion guilders, down from 4.22 billion.

Frankfurt
The Frankfurt exchange staged a good recovery last week in active trading despite holidays on Wednesday and Thursday. Operators attributed the recovery more to technical factors than to basic trends.

The dollar's strength, which brightened prospects for West German exports, was a sitive factor. For the first time since the start of May, the Commerzbank index finished the week above the 1,800 mark, closing Friday at 1,858.4. That close compared with 1,756.0 at the end of the previous week, which was shortened by a holiday.

Bank stocks were up, with Deutsche Bank gaining 69.50 Deutache mark to 641.60. Autos were also very fixm, with Daimler-Benz up 72 to 1,089, VW up 18.80 to 269.30, and BMW rising 16.90 to 650.00 DM. Chemicals and department stores secred well.

# Hong Kong

The Hang Seng Index continued to gain ground in volatile trading on the Hong Kong

stock market last week despite a heavy correc-tion Thursday to the recent bull run.

The leading market barometer put on 35.76
points over a boliday-shortened week to close points over a holiday-shortened week to close Friday at 3,165.64, while the broader-based Hong Kong index gained 22.74 to 2,045.97.

Overseas investors kept the bulls running after a long weekend, despite determined efforts by big local traders to sell short as the Hang Seng Index approached the psychological 3,200-point barrier.

The index bit new higher of 2,170.98 cm.

The index hit new highs of 3,170.88 on Tuesday and 3,178.62 on Wednesday, up from the previous record of 3,129.88 on June 12, as fresh overseas money flooded the market, bro-

# London

6-12

Extensive profit-taking on the London Stock Exchange culminated Friday in the biggest one-day decime in more than two months after record highs earlier in the week. The Financial Times industrial shares index closed down 9.6 points on the week at 1,758.3.

Economic indicators released Thursday on inflation and a disappointing response from overseas investors to the Jane 11 election result contributed to the decline, wiping out early cuphonic over the Conservative victory.

Underlying sentiment nevertheless remains steady, and a major shamp is not expected, dealers said.

The Milan stock market reacted favorably, though cantiously, last week to national elections, rising 1.9 percent from the previous week's closing level. The Comit index finished the week at 711.40, up from 697.78.

The 2.6 percent jump posted Tuesday was followed by quieter sessions as operators realized that the stability in Parliament did not necessarily mean that a government would be quickly formed, as desired by industrial and mancial circles. Volume was 147 million shares, up from 100

million shares the previous week. Fiat stock rose 3.9 percent following rumors that Fiat would float a bond issue to cover the purchase of Libyan shares.

# **Paris**

Prices on the Paris Bourse dropped again last week despite increases on many other markets. Stocks suffered particularly from

poor Prench trade figures for May.

The CAC index closed at 400.6 on Friday compared with 409.7 the previous Friday. The instantaneous trend indicator dropped to 99.4. below the 100-point level, at which it is set each Jan. 1, for the first time in four years.

Investors are beginning to suffer. Stocks lost more than 8 percent of their value in May and have lost more than 5 percent so far in June. The market is suffering from substantial calls on available funds as a result of many secondary market listings, privatizations and capital increases. Foreign investors sold light week after release of the trade figures.

# Singapore

Bouts of profit-taking toward the end of the week reduced much of the earlier gains recorded on the Singapore stock market.

The Straits Times industrial index added 10.26 points to close the week at 1,237.39. Volume was about one-third lower than the previous week at 243 million units.

The debut Thursday of Sembawang Maritime was the highlight of the week. It traded actively to a high of 3.52 and closed at 3.16. compared with an issue price of 1.80. North 8 million shares changed hands in to days of

## Tokyo

Share prices plunged on the Tokyo Stock Exchange in turbulent trading last week with the key market indicator, the Nikkei Stock

average, posting a 605.19 yen loss.

The 225-blue chip Nikkei average, which gained 577.97 yen the previous week, closed Friday at 25,288.12 yea, plunging 462.43 yea from Thursday's finish.

Average daily volume was 963.4 million shares, up from 886.7 million the previous

The market got off to a bad start Monday with institutional and corporate investors in a bearish mood because of the high price levels. livestors returned to the market in a more confident mood Wednesday, buoyed by Wall. Street's strong performance, and pushed the Nikkei average to an all-time high of 25,929.42

Profit-taking set in Priday, prompted by reports that the government would sell Nippon Telegraph and Telephone stocks at around 26 million yen a share in the second tranche in

Analysts said that Friday's decline would have little effect on the market's bullish mood.

## Zurich

The Zurich stock exchange had a good week. Foreign investors focused on blue chips, and

many stocks posted gains.

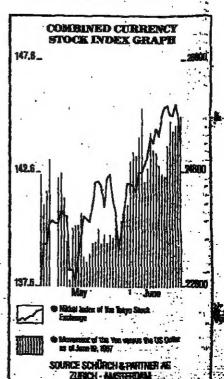
The Credit Suisse index rose to 527.7, against 512.5 the previous Friday, and Societé de Banque Suisse's general index rose from 601.9 to 625.3.

Trading was lively because of the dollar's stabilization. Investors focused on blue chaps among the banks, chemicals, and pharmaceuti-

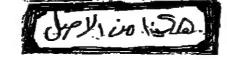
rais and on big names such as Nestle.

In the manufacturing sector, Brown Boven was popular, moving up 220 to 2,380.

Union de Banques Suisses rose by 300 points. to 4,675. Financial companies performed well, especially Oerlikon-Bührle, up 75 to 1,235. Insurance and food companies were also higher, and chemicals had sustained strength. Sandoz was up 300 to 12,000.



alcci icar cos



# **SPORTS**

# Watson Leads U.S. Open By 1; Rookie Ties Mark As Other Stars Falter

SAN FRANCISCO — Tom Watson, who won the U.S. Open in Max in the last three years, sank a suppery 15-foot (4.5-meter) downing putt on the last hole Saturday to the left-center of the fairway in final round of the 87th Open.

No longer were his closest com-By Gordon S. White Jr. From a difficult lie he hit a three-getitors among the biggest names begin golf, as they were Friday when Watson was tied for the lead after was rounds with Mark Wiebs and

started in shaky fashion Saturday
with three bogeys in the first four
tion at 214. Nakajima, who had to holes, finished with one-over-par 7] take a one-stroke lost ball penalty ghd, at 208 was a shot ahead of Scott when his second shot at 18 got stuck Simpson, who carded 70, and rookie high in a cypress tree, carded 74 for charge record with six-under 64.

when his second anot at 10 gas successful to gas During practice Wednesday those who fell back, shooting 77-214. The too, had been only a shot off the lead Friday. And, Wiebe joined those who fell back, shooting 77-214. Watson, Nicklans Advance.

Watson said of his 15-footer, which broke eight feet from right to left. al reported: broke eight reet from right to left.

"And we were knocking it six feet
by when we hit it well and 35 feet
when we didn't. So today I was just
trying to get the ball close and it

Nicklaus and Watson thrilled the
huge Olympic Club galleries on a
gloomy, damp Priday by leading a
charge to the top of the crowded

Watson, who beat Nicklaus by two shots in the 1982 Open after his not won since the Western Open in July 1984, when he beat Greg Nor-man of Australia on the fifth hole of a sudden-death playoff.

"I haven't really had a very good chance to win a golf tournament this year," Watson said.

And, while many of the other mighty golfers faltered, Lennie Clements moved up with a 70 to bold fourth place at 210. Then came a bunch of big names, at 211: Seve Ballesteros of Spain, who had 68; John Mahaffey and Larry Mize, recent winner of the Masters; Crenshaw, Thorpe and Langer of West Germany. Curtis Strange, who ea-gled the par-4 ninth hole with a 160yard (146-meter) seven-iron shot, was in a group of 10 at 212.

Clearwater, a rookie, recently won his first PGA Tour title, at the Colonial National Invitation, with a tournament record-equaling 14-under 266 on one of the best courses used by the tour. Now he has three Colonial National, May 17, when former Open champions Fuzzy two rounds had to be played in Fort Worth, Texas, because a storm wiped out the third record.

His six-birdie, no-bogey round Saturday tied the record 64 shot at Olympic by Rives McBee in the second round of the 1966 Open, which eventually was won by Billy Caspar in a playoff with Arnold Palmer. This also was only the fifth round of 64 ever shot in an Open; lowest score in Open history.

Clearwater's victory in Fort Worth almost cost him his chance to play in this Open because he stayed up until 3 A.M. celebrating. He had to get up at 5 to make his tee time for the local, or firs, stage, of qualifying competition for the Open.

Saturday, he birdied two of the most difficult holes on the course. 16 and 17. The par-5 16th is the longest hole on the course and, at 609 yards, one of the longest ever used in an Open. Ballesteros jokingly called it a par-6 hole.

Clearwater hit a driver off the tee, then a driver from the fairway

two rounds with Mark Wiebe and lack Nicklaus, Bernhard Langtet, Ben Crenshaw and Jim Thorpe, among others, on his heels.

The 37-year-old Watson, who im chalce fachion Samueland was virtually out of conten-

Earlier, United Press Internation-

Watson rolled in a 50-foot putt famous chip shot into the hole at the

17th on the Gual day. 17th on the final day, has two Masuers victories, five British Open titles
four years on the tour, sank a 140yard wedge shot at the 12th hole for an eagle en route to his 67.

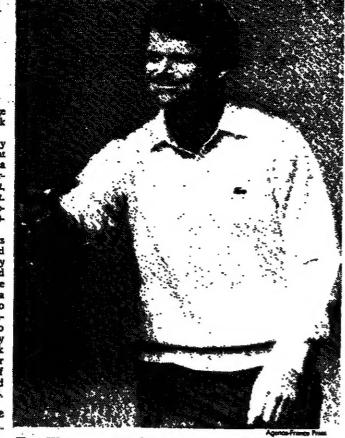
Nicklans, seeking a record fifth Open title and his 21st major championship, shot 68 and said, "The U.S. Open always motivates me. When I got bere this week, I was as down as I've been in a long time about my game. I don't like to display my game when I'm playing poorly." Joining him at 138 were Langer, Nakajima, Thorpe and John Cook,

all veteran pros. At 139 were Scott Simpson, Bob Eastwood, Masters champion

Larry Mize and first-day leader shaw, who slumped from his opening-round 67 to a 72. Norman shot 69 and was tied at

141 with defending champion Ray-mond Floyd, who was trying to become the first player in 36 years to win back-to-back opens. Despite the ideal conditions, Ballesteros shot 75 while former

British Open winner Sandy Lyle of Scotland faded with a 72. Among



Tom Watson smiled after sinking a long, difficult putt on the last hole Saturday for a one-shot lead in the U.S. Open.



Mark Wiebe, the second-round co-leader with Watson, was almost treed on the first hole Saturday and shot 77.

# Watson Battles Rumors as Well as Par

By Ken Denlinger Washingson Post Service

SAN FRANCISCO - On the 320-plus yards. On two of the next four holes, he struck iron shots so purely that only a tap from his putter was necessary to make birdie. The day was so strangely fantastic that Tom Watson could reasonably have said to himself: "Hey, you look a whole lot like Tom Watson."

For the first time in a long time. From the Masters in 1978 through the British Open in 1983, Watson won eight major tourna-ments. From a little while earlier through a little while later, he won source" of the rumors, he said. Not a couple of dozen other tourns- knowing where the mouth of this ments that made him a golfing mil-river of gossip lay, he refused to

the farm; that I was going to fire first round of the 87th U.S. Open. Chuck" Rubin, his brother-in-law

wife; it burt my parents. But it a golf-course designer. "He seemed didn't burt me." It made him angry, and frustrat-

"I'd like to deal directly, with the

lionaire four times over. But all duck questions after he finished his for his second shot. He still had not Watson had won lately was a lot of round Friday. He acknowledged insisted. "Only when."

1984 Western Open. There have "I'm not hurting," he said. "I still game winners. "Usually I use my been whispers about why, whispers do the things I need to win. But not fastball to set up the split-finger. loud enough for Watson to hear. as often. I felt like the Watson of "I don't feel i'm in as good "That I was an alcoholic," he old today."

divorce; that I was moving out to horrid as recently as Thursday, the I'm pitching."

and manager.

day, said his good friend. Sandy in the sixth and Bass hit a 1-1 pitch Tatum, the former president of the into the right-field seats for his sevwhat they're talking about. It made

U. S. Golf Association and Waterith homer. me upset, you might say. It hurt my son's partner in his first venture as so uncertain of himself. Anyone else would have shot 80."

Instead, Watson willed a twoover-par 72.

Had there been doubt about a return to championship form?

# **Guetterman Pitches His First Shutout**

CLEVELAND - Lee Guetterman pitched a three-hitter for his first major-league shutout and fifth consecutive victory as the Seattle over New York. The Red Sox, held Mariners defeated the Cleveland to two hits by Bob Tewksbury for Indians, 5-0. Sunday.

Guetterman struck out two and walked one in pitching Seattle to its sixth victory in seven games. The Indians threatened in the second inning when Joe Carter led off with a single and Brook Jacoby drew a one-out walk, but Carmen Castillo lined into a double play,

Cleveland's other hits were a two-out single by Castillo in the fifth and a one-out single by Carter

The left-handed Guetterman. who was 0-4 in 44 major-league appearances before this season, was purchased by Seattle from Calgary of the Pacific Coast League on May 21. He has a 2.65 earned run average in his six appearances, five of them starts.

Seattle got the only run Guetterman needed in the first on singles by Phil Bradley. Scott Bradley and Jim Presley.

In the second. Rey Quinones doubled and scored on Harold Reynolds's double. Mickey Brantley singled Revnolds home and took third on a single by Phil Bradlev, which chased Ken Schrom in favor of Ed Vande Berg. Brantley scored as Scott Bradley grounded out, putting Seattle ahead, 4-0.

Alvin Davis singled home Seat-tle's final run in the fifth.

Orioles 9, Tigers 5: In Baltimore, Tom Niedenfuer retired Detroit in the ninth, preserving the victory for Baltimore in a half-inning completion of Saturday night's suspended game, Kirk Gibson led off the Tiger's ninth with a double, went to third on a groundout and scored on Chet Lemon's sacrifice fly, But Niedenfuer got Mike Heath to ground out to end the game. Saturday's game, held up 2 hours and 23 minutes by two rain delays, was suspended because of an American League curfew, which prohibits an inning starting after I A.M.

Red Sox 4, Vankees 2: In Boston, rockie Ellis Burks hit a tworun homer in the eighth after Dwight Evans tied the score with a

#### SUNDAY BASEBALL

ing Roger Clemens and Boston six innings, caught up with the right-hander, who was recalled from Columbus of the Class AAA

International League a day earlier.
Blue Jays 7. Brewers 6: In Toronto. Lloyd Moseby, Willie Upshaw and Fred McGriff homered and rookie Jeff Musselman earned his sixth victory with three innings of one-hit relief Sunday as the Jays held on to defeat Milwaukee. The victory enabled the Blue Jays to increase their lead over the Yan-

kees in the AL East to a full game. apolis. Tom Brunansky homered and broke a 5-5 tie with a runthe sixth time in major-league his- games this season.

tory. Brunansky doubled off the center-field wall against reliever Jim Winn to score Gary Gaetti from second with the go-ahead run. over New York. The Red Sox, held Gaetti reached first on third base-to two hits by Bob Tewksbury for man Tim Hulett's fielding error and went to second on Kent

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Hrbek's groundout.

Cardinals 7, Expos 3: In the Nai-tonal League, in St. Louis, Missou-ri, Vince Coleman hit a two-run triple and scored on Ozzie Smith's double in the second Sunday, leading rookie Joe Magrane and the man's triple off Bob Sebra extend-ed his streak to 50 straight games he has reached base by hit or walk

Mets 8, Phillies 3: In New York, rees in the AL East to a full game. Dave Magadan drove in three runs
Twins 8, White Sox 6: In Minneas the Mets completed a threegame sweep of Philadelphia. The victory was the fourth in a row for scoring double in the eighth to lead the Mets. The Phillies lost their Minnesota over the Chicago White sixth straight, including four under Sox. The two teams hit seven a heir new manager, Lee Elia. The homers with the bases empty for Mets have beaten the Phils in all six

# Seaver to End Pact With Mets

The Associated Press NEW YORK — Tom Seaver, the three-time Cy Young win-ner, has ended his comeback

bid with the New York Mets, it was learned Sunday. The Mets planned a conference on Monday to announce that Seaver would not

pitch for them this year. Seaver, 42, who pledged he would retire if he felt he could not pitch effectively in the major leagues, had done poorly since agreeing to terms with his former team earlier this month. He has not pitched in the majors since last August, when a knee injury ended his season with the Boston Red Sox. He became a free agent this season.



The Cubs' second baseman, Paul Noce, got to see his throw to first complete a double play as he was grounded by the Pirates' Jim Morrison. Pittsburgh won Friday's game, 4-0.

# Astros Beat Dodgers on 2 Homers, Scott's 3-Hitter

HOUSTON - Mike Scott pitched a three-hitter and Billy Hatcher and Kevin Bass homered Saturday to give the Houston Astros a 3-2 victory ver the Los Angeles Dodgers.

Scott, 9-3, struck out nine to take over the major-league lead with 125. It was his fourth complete game this season,

"I was able to establish my splitfingered pitch early today," he said. having joined Chicago's Rick Sutcliffe and Montreal's-Neal Heaton money. No tournaments since the the rumors and denied them. Hard. as the National League's only nine-

"That I was an alcoholic," he old today."

said. "That I was going to get a The Watson of new had been I'm pretty satisfied with the way With the Astros trailing, 2-1,

"My heart bled for him yester- Glenn Davis walked with one out

tros, hit Scott's first pitch over the raga, who had led off the Montreal left-field fence for his first homer minth with a triple, then Reed this season. The Astros tied in the scored on Mitch Webster's single. third when Hatcher homered.

Braves 8, Reds 6: In Atlanta. Dale Murphy hit his NL-leading "Not that it would happen," he 22d homer, a three-run shot in the third inning against Cincinnati, dur-

U.S. Open Golf

Leading scores after the United round of the With U.S. Golf Open Championship played on

The Olympic Club's 4700-yard 70-yar course in San Francisco on June 20:

72-45-71--308

70-73-70-210

Tom Watsen

#### SATURDAY BASEBALL

ing a game that saw seven homers. Pirates 8, Cubs 2: In Chicago, scattered seven hits, struck out four the's five-game winning streak. and retired 15 consecutive batters be-

phia. Gary Carter led off the inning Brewers 3. Blue Jays 2: In To-Brian Downing getting four his by bouncing a single off the glove of ronto, Jim Gantner's sacrifice fly one a home run, off Leibrandt.

"My heart bled for him yester- Glenn Davis walked with one out day," said his good friend. Sandy in the sixth and Bass hit a 1-1 pitch ball to go through to center field as open the inning.

Seven unearned runs, nerped chical Dykstra raced to third.

Expos 7, Cardinals 5: la St. ek's grounder pulled first baseman

It was Reed's sixth RBI this year, but his fifth in four games against

the Cardinals. Padres 10, Giants 4: In San Die-rifice fly broke a 2-2 tie. go. Garry Templeton's two-run

homer, his first since last June 30, capped a three-run seventh inning against San Francisco.

avon, Jim Rice hit a two-run single during a four-run, fifth-inning raily that backed Al Nipper's five-hit

American League, in Cleveland, Mike Dunne pitched his third Steve Carlton posted his 328th vicstraight complete game while Barry tory in the major leagues and Brook Bonds and Jim Morrison each hit Jacoby drove in three runs with a two home runs for Pittsburgh. Dunne double and two homers to end Seat-

The victory moved Carlton past fore giving up a two-out single to John Clarkson into ninth place on Dave Martinez in the eighth inning.
Mets 3, Phillies 2: In New York,
342, in eighth place. Carlton scat-Dwight Gooden pitched a five-hitter tered seven hits while pitching his and Kevin McReynolds's sacrifice second complete game this season; fly, scoring pinch runner Lenny he struck out seven to raise his Dykstra in the ninth, beat Philadel-career strikeout total to 4,084. career strikeout total to 4,084.

reliever Kent Tekulve. Dykstra ran completed a two-run seventh in-

first and second with none out. Bill curfew. Schroeder then grounded a single up the middle off loser Jim Key to drive in one run and Gantner's sac-

Indians 9, Mariners 2: In the pitching against New York. Rangers 7, Athletics 6: In Oak-land, California, Scott Fletcher,

Ruben Sierra and Pete Incaviglia homered for Texas. Royals 8, Angels 4: In Anaheim California, George Brett, Danny

Tartabull and Kevin Seitzer each hit a two-run homer to back Charlie Leibrandt's eight-hit pitching for Kansas City.

The Royals won their fourth straight while the Angels lost for the fifth time in six games, all at home, despite designated hitter Brewers 3, Blue Jays 2: In To- Brian Downing getting four hits,

White Sox 10, Twins 5: In Minfor Carter and Darryl Strawberry hit ming that gave Milwaukee its vic- neapolis, Daryl Boston's two a sharp grounder directly to short- tory after consecutive errors by homers and four RBI, three during stop Steve Jeltz, who allowed the third baseman Kelly Gruber to an eight-run seventh that included seven uncarned runs, helped Chica-

Orioles 9. Tigers 4: In Baltimore. Dave Anderson, who began the game batting 455 against the Asout double scored Andres GalarGlenn Brages hit a sharp grounder with two homers against Detroit that bounced off Gruber's chest for before the game was suspended afa second error that left runners on ter eight innings because of the AL

The game, the first suspended at Memorial Stadium since Aug. 31. 1978, was delayed by rain for 58 minutes at the start and for I hour, Red Sox 9, Yankees 4: In Bos- 25 minutes in the bottom of the first.

# **SCOREBOARD**

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# Major League Standings (Through Saturday's Games)

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attlova, 7-4 (7-5), 4-2.

# Baseball

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Toronto, Barried (18), Fleider (4),
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) and Bustera, Laoudner (7), W—Reardon, 4-4
wWinn (2), Marked Lennie Crements Jim Thorpe 

# Transition

BASEBALL
American Leagues
BOSTON—Put Bill Buckner, first baseman, on 15-day disabled list, retroactive to June 10.
Recalled Todd Benzinper, outfielder-first baseman, from Powfucket, International League.

New YORK—Signed Tim Bayor, shartstone Them by Little Falls, New York-Penn League
SAN FRANCISCO—Signed Miles Rembaseman, from Powfucket, International League.

Northwest League.

# Wet or Not, Wimbledon Is Set to Begin

# Becker Well Favored Again, but Women's Field Appears Ripe for Upset

By John Feinstein

they prepare. For two weeks, they and, naturally, the rain. play. Sunday, the last of the equipment was trucked in, the wet grass courts were locked up and the last paint applied around the grounds. In 24 hours, the play would begin

at the All England championships.

Not at 2 P.M. precisely, as tradition dictated for so many years, but at

12:30 P.M. Several years ago, the

All England Club decided it need-71-72-49-212 ed the extra time to complete play each day and, much to the horror of many, bowed to reality.

has won here seven times, five in a women's final. "I just want to win row — winless in 1987 and Evert a one of these before I say so long." many, bowed to reality. But on Centre Court and Court 1 semifinal loser in her last three 72-72-68-213 at Wimbledon, 2 P.M. remains sa. Grand Slam tournaments, the two He has won five majors — three 70-03-76-214 cred and so it will be 90 minutes grand dames are suddenly vulnera- French and two U.S. opens — but 71-73-71-214 after matches such as Todd Witsken ble. But. unlike the French Open, last year was his first Wimbledon versus Steven Shaw have begun that

Court for the traditional opener.

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73 strictly for the men. That too has or a hard court. but the No. 2 seed here on grass, plays his first match against quali-the first round last year, this time

fier Christian Saceanu.

Washington Post Service first match Tuesday at 2 against the third set. Then she missed an WIMBLEDON — For 50 weeks, Claudia Porwick of West Germany easy backhand volley, went into a

Before Sunday, when the sun popped in and out of the clouds, it had rained here every day in June. "I know I have the talent on grass." had rained here every day in June. There will be an interesting twist this year: the women have no clear- chance. Mandlikova would certainly cut favorite. The men do. This is a be a tough quarterfinal opponent but reversal from the recent past, when a semifinal against Graf or Sabatimi Navratilova and Chris Evert were or an upstart would be winnable. the only two women given a rea-

where Steffi Graf was poised to step final and Becker wiped him out. into the breach, that is not so here.

Becker, the two-time defending have a favorable draw. But she has McEnroe home resting a sore back. 27-95-74-214
27-75-72-214
27-75-72-214
Champion. is the top seed and the favorite to begin Wimbledon's seo ment since competing here two ond century the way he ended it's vears ago and. although she has not nently beatable on grass; the veneration of the draw has Mats with the draw has Mats favorite to begin Wimbledon's seo ment since competing here two ond century the way he ended it's vears ago and. although she has not here two ond century the way he ended it's vears ago and although she has not here. done poorly on grass, she is not the ble Jimmy Connors, who is playing

changed. Sixteen women's matches Still, she has won 39 straight will be played Monday, four in- matches this year and with Navravolving seeded players. The highest tilova and Evert in the top half of seeded woman to play - and the . the draw, she certainly has a chance only one on a show court — will be to go far at Wimbledon. So do Gabriela Sabatini, the seventh Hana Mandlikova and Pam Shriseed. She opens against Barbara ver. They are in the lower half of Gerken on Court I right after Ivan the draw along with Graf and each Lendl, the No. 1 player in the world must see this as a golden chance.

comes fit and ready but questioning All the other traditions are in herself at crucial moments just as place: Becker playing at 2 P.M.; she always has. Saturday, at East-women's defending champion bourne, she had Navratilova all but as certainly as there will be rain.

Martina Navratilova playing her beaten, leading by 2-0 and 40-0 in first match Tuesday at 2 against the third set. Then she missed an funk and, kicking and screaming, lost the match. "I just need a little

She will never have a better

"It would certainly be a great sonable chance of winning.

Now, with Navratilova — who turns 25 on July 3, the day of the

Lendl feels about the same way.

On grass, Becker is certainly the Graf is the second seed and does favorite, especially with John Once, this first day was reserved confident player that she is on clay well enough to make some noise, trictly for the men. That too has or a hard court. horse who gained the semifinals in

1984 and the quarters last year. Lendl's half includes Stefan Edberg, who twice has won the Australian Open but has never played well mez; the enigmatic Henri Leconte and Kevin Curren. Curren was the losing finalist to Becker in 1985 and Leconte made the semis before losing to Becker last year. In 1985, he

upset Lendl in the round of 16. But, as always happens, the seeds won't hold. There will be upsets just

S



By Mark Hunter

and Lise Bloch-Morhange PARIS - "When I came to Hollywood in '75, nobody wanted me," said film director Jim McBride, 45. "But in Hollywood there is always hope."

McBride's hopes have crossed an important threshold in recent months. In April his film, "The Big Easy," a wonderfully entertaining crime thriller set in New Orleans (to which the title refers, in case the only big city you know is the Apple), won the Grand Prize at the international festival of police films in Cognac,

The film was subsequently a hit in the Netherlands, and opened in Paris last week, with its American release scheduled for

It is hardly usual for American films to open first in Europe, and ant Remy McSwain (the alterlion, the movie's U.S. release had scene, been set for Friday, Feb. 13 - of all days — without the support of of-towner, in the course of unrava major distributor. "To be eling the mystery behind an apa major distributor. "To be sure," said McBride, "it would

But just before the film's premiere, McBride said, "I took the film to the Utah Festival at the Sundance Institute, and the audience liked it a lot."

Among them was David Puttnam, the British film producer who had recently been named chief executive officer of Columhia Pictures.

"When the lights came on," McBride continued, "Puttnam turned around and said to me, T want to buy it.' Just like that." In a year marked by stylish crime flicks, Puttnam may have picked up the best of the lot. Among its other charms, in "The Big Easy" a soundtrack of zydeco (a sort of two-step rhythm and Orleans) paces the seduction of the district attorney Anne Osborne (fetchingly played by Ellen Barkin) by the detective lieuten-

Later on, Barkin's upright out-

which he is an active part. "Puttnam not only bought the film," said McBride, "he's been telling people that he likes it. And everybody is watching him," not least because Puttnam took over Columbia on the theory that good little films like "The Big Easy" could make profits along-

front the police corruption of

side costly blockbusters. Not by coincidence, "I am suddenly okay for the first time in 20 years of filmmaking. People call me up, and send me screen-plays." A nice twist for a man who spent the last decade "trying to redefine my values to fit into this strange world."

By his own admission, McBride came to Hollywood with the wrong kind of creden-

His first (1967) feature, "David Holzman's Diary," was shot on 16-mm black-and-white stock for \$2,500. "Nobody was paid, therein lies a Hollywood tale. Independently produced by King Dennis Quaid), which is consum- and the equipment was bor-mated in a brilliantly funny rowed," he said. Nonetheless, it captured the grand prize at the Mannheim film festival, and gave him instant celebrity in the artfilm world.

parent drug gang war, forces "Because it raises all those good-ol'-boy McSwain to conquestions about art and reality,



"I am suddenly okay for the first time in 20 years of filmmaking," says Jim McBride (left), whose film, "The Big Easy," stars Dennis Quaid and Ellen Barkin (above).

truth and fiction, the kinds of things students are preoccupied with," said McBride, "the film is still popular in cinema schools." His next three films (through 1974) confirmed McBride as a star of the New York avant-garde scene - a bit too long before New York's independent film-makers, such as Susan Seidelman

dried up in New York during the mid-1970s, McBride "decided to go west," and quickly discovered that his reputation hadn't traveled with him.

and Spike Lee, came into fash-

"People kept saying to me, 'Look, you're an unknown quan-tity,' " he recalled. "'You're bringing us original ideas that sound weird, and nobody's going to work with you.' I always worked for marginal people in Hollywood. There are a lot of people around the edges there ependent producers with a little money to develop something."

For years McBride adapted novels and rewrote scripts, eking out "a very poor living" as "a bachelor father raising a young said, "was to find a property "The Big Easy," it offered a near-which had already had some suc-cess, like a best-selling novel. But striking richness of secondary I couldn't afford to buy one."

able to work in movies, somedriving a cab. And there was al- 'tic style. ways the hope that something would happen."

He came up with the idea, "partly as a joke, partly out of desperation," for a remake of Jean-Luc Godard's New Wave masterpiece, "A bout de souffle" ("Breathless"). For the next few (who played the lead in "David blue." Holzman's Diary") around the

directed a movie. I would have done anything to make it." When the directors Gere preferred turned out to be unavailable, McBride got the job.

The "Breathless" remake was released in 1983. "To me, the film was a success." said McBride. "It

"The only way out, McBride grossed \$20 million." And like characters, and a complex, hu-All the same, he said, "I was morous romance between two how, while in New York I'd been that rare quality, an innate artis-

"But there was a perception that I was a failure because Gere's previous film, 'An Officer and a Gentleman,' took in \$200 million. I had nearly as much difficulty working after 'Breathless' as before. For the next three years I was involved in projects years he shopped the script he that never happened. And then had co-written with Kit Carson "The Big Easy" came out of the

By the time a star, Richard script (which he completely renearly 10 years since I had last directed a movie I would be sent alipped him into a package that included a script (which he completely renearly 10 years since I had last directed a movie I would be sent alipped him into a package that included a script (which he completely reduced a movie I would be sent alipped him into a package that included a script (which he completely reduced a movie I would be sent alipped him into a package that included a script (which he completely reduced a movie I would be sent alipped him into a package that included a script (which he completely reduced a movie I would be sent alipped him into a package that included a script (which he completely reduced a movie I would be sent alipped him into a package that included a script (which he completely reduced a movie I was wrote, he said) and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote, he said and a waiting produced a movie I was wrote. McBride's agent slipped him

"I couldn't be more please he said, "but I'm not used to it. And besides, who knows how long it will last?".

Mark Hunter and I Ze Block-Morhange are journalists who write cost \$6 million to make, and frequently on European film.

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# LANGUAGE

# A Mandatory Routine

By William Safire WASHINGTON — "It's time we knew exactly what we were facing," said President Reagan, mistakenly using the past tense were to parallel knew in a speech

port some routine testing."

He did not explain what routine would mean in connection with mates of federal prisons and pa-tients at veterans' hospitals, but the word was central to his approach: "I encourage states to offer routine testing for those who seek marriage licenses. ... And I encourage states to require routine testing in state and local prisons."

The question immediately arose: Would routine mean "mandatory,

compalsory"?
First to the ordinary meaning of routine. Rooted in the French route, "traveled way, regular course," the noun was adopted into English by Semuel Butler prior to 1680 in this the World lies, for the most Part, in forces, better not try to opt out. Rotines and Forms."

Is that what the president meant? Of course not; routine has gained another sense in its adjectival state, more mollifier than qualifier. The phrase routine tests is used by people going into hospitals to peared before the Iran-contra pan-cover both periodic examinations el and boosted its ratings overnight. and treatment for ailments. It is a soothing phrase, which seems to

add "nothing to worry about."

That soothing connotation is what the president and his writers sought in using a word for a policy that means mandatory, "commanded," or compulsory, "forced." Gary L. Bauer, the president's domestic policy advises who knows what Reagan has in mind, told me that routine testing at the federal level does not include the right to opt out." (Opt out is an academic-bureaucratic vogue term meaning choose not to." obliterating the useful distinction between the

tested for communicable diseases;

patients being admitted to federal

hospitals are regularly given blood

thoughtful choose and the impulsive opt.)
The feeling the president and his advisers wanted to get across is that the mandatory testing is to be applied in the regular course of human activity, part of what seems a normal, customary, usual, regular process. Immigrants are normally

less mandatory, but the harshness of its mavoidability is tempered by about AIDS, "and that's why I supthe assurance that it is being done all the time as part of something else. The point being made by the would mean in connection with use of the mollifying word is that the populace is not being told to line up next Tuesday at noon for testing for this specific purpose -A further confusion was introduced by officials of the Justice Department who said that they were considering random testing of prisoners. That word, rooted in

tests, prisoners are periodically checked for evidence of disease.

The compulsion is not out of the

ordinary in these instances; hence,

it can be called routine. It is doubt-

"run," means "haphazard, aimless, purposeless." The word has become a term of art in the polling field, as a sampling technique in which each element has an equal probability of occurrence. Such testing is almost always voluntary. but in a random sample of federal prisoners or members of the armed

FAWN HALL, secretary to Lieutenant Colonel Oliver L. North at the National Security Council until last November, ap-Linguists were immediately struck by her pronunciation.

Like many native American speakers, she dropped the g in rec-ognize. "Reckon-ize is not a recent development," reports Fred Mish, rex of lex at Merriam-Webster. "It's recorded in Webster's Third (1961) with the obelus mark used to indicate evidence of its use by educated speakers, but that pro-nunciation is stigmatized by commentators on usage."

She also pronounced et cetera "ek-setera." This is not recorded in

the unabridged Webster's.

According to the Dictionary of American Regional English and its lexicographer, Fred Cassidy, "The pronunciations 'ek-setera' and reckon-ize' are not regionalisms. They are, in fact, very common. although you wouldn't expect to bear them from a person of high education. I would call them general colloquialisms, pronunciations that widely occur and are not restricted to a single region."

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